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University of Warwick
Politics and International Studies Department

**Living on the Edge: Relocating Kazakhstan
on the Margins of Power**

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A thesis submitted in partial fulfilment of the requirements for
the degree of Doctoral of Philosophy in Politics and
International Studies

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When I eventually plucked up the courage to leave the hotel on my first day in Almaty it was - 20°C. I dressed myself up like the Michelin man and, navigating the foot of ice on the pavement as gracefully as a giraffe on skates, I set off into the night. I think I wondered around just long enough to become slightly hysterical for lack of food, for my face to go purple and blotchy, and a general panic about my life choices to set in. Luckily for me, Kamilya Omarova saw me and took pity. She was the first person I met in Kazakhstan and she guided me about the city, prevented my imminent starvation, and took me ice skating in the Tien Shen Mountains.

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Holy smokes, she's only gone and done it.

Declaration

I hereby declare that the work contained in this thesis is my own, that the thesis contains no published material that did not arise from work on the thesis or material that has been used in another thesis, and that the thesis has not been submitted for examination for a degree at another university.

Abstract

Living on the Edge: Relocating Kazakhstan on the Margins of Power

In contrast to the Great Game narrative, this thesis demonstrates the extent and limitations of Kazakhstan in generating autonomy. It provides a detailed account of the tactical and strategic choices that the state has made, particularly through its energy industry, to improve its position relative to Russia, China and the West. Using the innovative marginality literature, this thesis reimagines the Central Asian state as more powerful regional actor than has previously envisioned. Moreover, it explores how Kazakhstan is able to effect change in Russian and Chinese foreign policy, and exemplifies a marginal state affecting the centres of power. To demonstrate this, the thesis examines the strategic choices of the Kazak state, its governance structure and the changing identity politics. As geopolitics becomes increasingly antagonistic in Europe, it is vitally important that we understand how these large states are 'playing' overseas. It is suggested that Kazakhstan is not a "small" or a "weak" state and from its position on the periphery has exercised remarkable leverage: it is a prism thought which we can see the truly multi-polar nature of world politics in the second decade of the twenty-first century.

Abbreviations

CIS – Commonwealth of Independent States

CNPC – China National Petroleum Company

CNOOC – China National Offshore Oil Company

CSR – Corporate Social Responsibility

ENI - Ente Nazionale Idrocarburi (national hydrocarbons authority, Italy)

FSU – Former Soviet Union

IOC – International Oil Company

KMG – KazMunaiGas (Kazakh National Oil Company)

OPEC – Organization of the Petroleum Exporting Countries

PSA – Production Sharing Agreement

SCO – Shanghai Cooperation Agreement

SSR – Security Sector Reform

NNPC – Nigeria National Petroleum Company

NOC – National Oil Company

Living on the Edge: Relocating Kazakhstan on the Margins of Power

Introduction

Kazakhstan's trajectory, from its existence to its present success, has been improbable. Despite being surrounded by powerful ambitious states, inheriting a weak economic system, an authoritarian state structure, and having little continuity of identity upon which to build nationhood, Kazakhstan has survived and prospered. Following independence, its demise has been routinely announced and its collapse widely anticipated. And yet, for the chosen few, life in Kazakhstan is a sensational parade of fast cars and restaurants paid for by oil money and bribery, controlled by a reclusive and recalcitrant leadership. For the rest, life is growing slowly but steadily more comfortable, opportunities for employment are being created and the expanding middle classes are growing accustomed to their new lifestyles.

In this country of haves and have-nots, there are tensions left unchallenged by the populous, civil society is unformed and there are few mechanisms to affect change within the patrilineal state structure. Whilst we in the West know this country best through the "Great Game" narrative, Kazakhstan has been gradually, quietly renegotiating its relationships with the more powerful and watchful states of Russia and China, and the more prominent countries of the West. This particular trajectory was far from predictable: other states have wrestled themselves away from the margins of Russia, or from other former colonisers, and not produced such economically prosperous or peaceful results. How has Kazakhstan escaped such a fate?

'The Russian nation is one of the biggest, if not the biggest ethnic group in the world to be divided by borders.'¹ These are the words of President Putin spoken in March 2014 in the days after the referendum on Crimea's transition to Russian territory. The speech held the world's attention at a time when tension over Russian intentions remained unclear; Russia had already annexed part of its former empire, but would Russia wholly invade Ukraine or other Former Soviet Union (FSU) states? For Putin, the break-up of the Soviet Union has been a disaster, the end of a civilisation, and has bequeathed a historic legacy that many feel is in need of restoration.

Importantly, the speech clarified the criteria of what constitutes 'Russia'. Russian territory is not defined by the current political structures, but by the ethnicity and language spoken by an individual and historical legacy, regardless of the state which they inhabit. Since independence, many of the FSU countries have had to live in the shadow of the Bear, with large internal Russian populations, and some have managed the power imbalance in the relationship better than others. Quite whether the Ukraine crisis was brought on by Western over-confidence or Russian nationalism is debatable, but Russian disdain for the legal sovereignty of its former colonies remains clear.²

Kazakhstan, like many states on the margins of Russian power, was acutely aware of its own precarious position. In a recent battle of media statements, President Putin emphasised that Nazarbayev had 'done a unique thing. He created a state in a territory that had never had a state before. The Kazakhs had no statehood.'³ Whilst this may seem like praise for the nation-

¹ Vladimir Putin, 'Address by President of the Russian Federation' The Kremlin, Moscow, 18 March, 2014.

² For the full Foreign Affairs debate see John Mearsheimer's article and the responses: John Mearsheimer, 'Why the Ukraine is the West's Fault', *Foreign Affairs*, Vol. 93, No.5 (2014), pp.77-89; Elizabeth Pond, 'Germany's Real Role in the Ukraine Crisis', *Foreign Affairs*, Vol. 94, No.2 (2014), pp.173-76; Michael McFaul, 'Moscow's Choice', *Foreign Affairs*, Vol.93, No.6 (2014), pp.167-171; Stephen Sestanovich, 'How the West has Won', *Foreign Affairs*, Vol.93, No.6 (2014), pp.171-75.

³ Vladimir Putin interviewed by Anna Sazonova, 10th Seliger-2014 Youth Forum of Russia, 2014.

building that the Kazakh President had undertaken, Nazarbayev recognised the statement for what it was - a thinly veiled threat to Kazakh sovereignty – and responded in defence of his state. ‘Our independence is our dearest treasure, which our grandfathers fought for,’ Nazarbayev said. ‘First of all, we will never surrender it to someone, and secondly, we will do our best to protect it ... Kazakhstan will not be part of organisations that pose a threat to our independence.’⁴ These are strong words for a state that sits on the edge of a notably aggressive neighbour – they are also striking, given Kazakhstan’s normally benign outward relationship with the former coloniser.

There are many ways in which this relationship between the margin and centre could have been played out. Unlike Ukraine, whose relationship with Russia has been distinctly more challenging, Kazakhstan has operated with some furtiveness, gradually developing its autonomy and distancing itself from its former coloniser since independence. It has been a largely ignored and ultimately benign presence on Russia’s borderland, even after the discovery of massive reserves of natural resources. Subsequently, it has generated the idea of a nation out of the remnants of its Soviet legacy and created a largely integrated and peaceful society despite the complex ethnic mixes present within its boundaries. By contrast, Ukraine has never found nationalism to be a sufficient adhesive to bind its internal factions together. Since independence, political rivalries have come to the fore as the distinct ethnic groups and districts have struggled against each other. Russia became a useful trope here to bind together diverse domestic interests, a bogeyman that would help to preserve independence.⁵ Furthermore, Ukraine has created an image of itself in the international arena of being the last remaining barrier between Europe and Russia. This geopolitical statement informs Ukraine’s relationships on the margins of Russia. This is underlined by the way in which the Ukraine retained its nuclear weapons for the first few years of independence, whilst

⁴ Nursultan Nazarbayev, Khabar Television Broadcast, August 27, 2014.

⁵ Eugene Rumer, ‘Eurasia Letter: Will Ukraine Return to Russia?’ *Foreign Affairs*, No.96 (1994), pp.129-145.

Kazakhstan was quick to remove its arsenal, thereby removing its strategic threat to Russia and China immediately.

These three factors contributed to Ukraine's difficult relationship with Russia from the beginning of independence and kept Ukraine as a high security priority on the Russian security agenda.⁶ Ukraine may have had a longer, historical exposure to Russian cultural practises, but both countries have been scarred by the experiences of the Soviet era through the devastating famines and forced collectivisation that the Soviet-era imposed upon them. Kazakhstan was also subject to the forced settlement of its nomadic peoples with serious consequences for the population. Despite the shared historical framework, both states have developed in contrasting paths allowing us to begin to understand the present experience of Kazakhstan as neither inevitable nor foreseeable.

Geopolitics offers many frameworks with which to understand the interplay between states of differing power structures. To be a state on the margin of a larger power state is to be considered weak or even "small" in the classical understanding of geopolitics. Whether by political influence, population or economic impact, all the countries of Central Asia are "small" states. But it is also about position, being seated between two geopolitical spaces: one Russian and one Chinese.⁷ After years of subjugation, these states were keen to overcome their size and the dangers that are inherent in being small. Thus, the Central Asian States have gone beyond what might be expected of small states in international politics by engaging globally to negotiate with the former imperial metropole.⁸

⁶Ibid.

⁷ Michael I. Handel, *Weak States in the International System* (London: Frank Cass, 1981); Baldur Thorhallsson, *The Role of Small States in the European Union* (Aldershot: Ashgate, 2001).

⁸ Christos Kassimerisa, 'The Foreign Policy Of Small Powers', *International Politics*, Vol.46 (2009) pp.84–101; Matthias Maassa, 'The Elusive Definition Of The Small State', *International Politics*, Vol. 46, (2009), pp.65–83; Asle Toje, 'The European Union as a Small Power', *Journal of Common Market Studies*, Vol.49, No.1, (2011) pp. 43–60.

“Small”, “weak” and “marginal” – even “peripheral” - are separate concepts, but they often hunt together as a pack. This understanding presents marginality as being unable to influence the centre of power which is contained within the governments and cities of more important states, leaving the margins to receive little attention in international relations and assumed to have little autonomous power, influence and decision making capabilities. Kazakhstan has long suffered from this understanding of its position within international relations.⁹ There is however compelling evidence to suggest that Kazakhstan’s autonomy has been underestimated, and through its energy industry it has actually been able to influence its relationship with larger powers, rather than being merely a passive recipient of international transactions. Before examining the mechanisms that have enabled this, it is first necessary to reconsider the birth of an independent Central Asia and the obfuscating frameworks that have impeded our understanding of the role and importance of Central Asia in geopolitics.

The Birth of ‘Central Asia’

Central Asia has attracted far less attention than the European FSU states, leaving it shrouded in apparent mystery, and therefore open to misinterpretation. After the dissolution of the Soviet Union, there were few writers who were specialists in Kazakh SSR, and fewer still in the other Central Asian states.¹⁰ Much of the literature has been analysed in those earlier years of independence through the lens of Post-Soviet Studies and it is only relatively recently that Central Asian Studies has begun to emerge as a field of study in its own right. This field has a small following but an expanding remit, growing with the leverage of the states themselves. The states are beginning to be studied in their own right; rather than as an appendage of their colonial history. This led to a somewhat dualistic understanding of Central Asia, in which the 1991 independence from Russia had either completely resisted Russian cultural influence, or

⁹ Christopher Browning and Pertti Joenniemi, ‘Contending Discourses of Marginality: The Case of Kaliningrad’, *Geopolitics*, Vol. 8, No.9 (2004), p.700.

¹⁰ A notable exception and leader within area studies is Martha Brill Olcott, see for example Martha Brill Olcott, *The Kazakhs*, (Hoover Institution Press, Stanford University, 1987).

had been totally subsumed by it.¹¹ This in turn led to predictions of violent conflict occurring upon independence, even by the more experienced voices such as Martha Brill Olcott.¹² It also created a narrative of subservient populations well suited to, or even requiring, authoritarian rule.¹³

What was left after 1991 were five states unprepared for independence; Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan. The states had been created by Josef Stalin under communist rule, a fresh collection of states where there had previously been none. Whilst Russia had had a presence in the region, these lands were not occupied by a Westphalian state system, no state as such was conquered, and instead there were a series of khanates across the region. Two distinct groups co-existed here, nomads and sedentary groups, and not always peacefully. In an attempt to pacify, demarcate and administrate the territory, the five states were created with a predominant ethnic group (i.e. Tajik, Kazakh etc) but with a mixture of each of the ethnic groups in each of the states, creating a potentially uneasy mixture of the myriad tribes.¹⁴ As they exist today, these republics follow the same boundaries. What is interesting to note is that the experience of Soviet rule has had a profound effect upon the public and elite populations of Kazakhstan, but it did not create either ethnic tension or overt nationalism.¹⁵

Kazakhstan has a vast array of natural resources to offer, signalling the potential for economic viability, and yet it was reluctantly an independent state in 1991. Gold, oil, natural gas, copper, aluminium, chrome, uranium and rare earth minerals are all found within Kazakhstan. This

¹¹ Pauline Jones Luong, *The Transformation of Central Asia*, (New York: Cornell University, 2004), p.4.

¹² Martha Brill Olcott, 'Central Asia on its Own', *Journal of Democracy*, Vol 4, No. 1, (1993), pp. 92-103.

¹³ For a discussion of this in each of the five states, see the edited volume Sally Cummings (ed.), *Power and Change in Central Asia*, (London: Routledge, 2002).

¹⁴ Luong, *The Transformation of Central Asia*, p.6.

¹⁵ Mark Beissinger, 'Elites and Ethnic Identities in Soviet and Post-Soviet Politics', in Alexander Motyl, (eds.) *The Post-Soviet Nations: Perspectives on the Demise of the USSR*, (New York: Colombia Press, 1992).

should have made a promising start to independence, and yet Kazakhstan was the last FSU state to declare independence, after Ukraine and Belarus. The leader of the Kazakh SSR, Nursultan Nazarbayev, had argued strongly for the continuation of the USSR as a wider federal structure, going so far as to attempt to persuade President Gorbachev to create a looser inter-state structure rather than accept a full dissolution of the union.¹⁶ To be a new state with limited economic power and ethnic divisions would have left Kazakhstan vulnerable and at risk of becoming subsumed by Russia should the republic prove unstable. As the independence became an inevitability, Nazarbayev looked to integrate the Central Asian states in an attempt to secure an alliance in the face of future provocation. His work in search of stability in these early days was genuine, and his achievements in securing the future of the Kazakh nation were sizeable.

Despite these attempts, integration has not been achieved, or desired, by all. Initially, the inherited integrated market model meant that the CIS states predominantly traded with each other, but by 1996, the majority of their foreign trade was with states outside the FSU.¹⁷ Within Kazakhstan, the need to improve regional integration to advance economically was widely accepted in foreign policy circles. Umirserik Kasenov, former foreign policy advisor to Nazarbayev noted that it would in fact reinforce the precarious sovereignty of all, but this enthusiasm from Kazakhstan did little to persuade the other states.¹⁸ Instead, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan chose to embrace their newly found autonomy and cultivated different economic models and national identities, each choosing to emphasise a different aspect of the region's shared culture. As a result the region operates on the basis of non-discriminatory multilateralism, and chooses to trade with the least-cost supplier and

¹⁶ Martha Brill Olcott, *Kazakhstan: Unfulfilled Promise*, (Washington DC, Carnegie Endowment for Peace, 2002).

¹⁷ Richard Pomfret, 'Trade policies in Central Asia after EU enlargement and before Russian WTO accession: Regionalism and integration into the world economy', *Economic Systems*, Vol.29, No.1, (2005), pp.32–58.

¹⁸ Gregory Gleason, 'Inter-State Cooperation in Central Asia from the CIS to the Shanghai Forum', *Europe-Asia Studies*, Vol.53, No.7, (2001), pp.1077-1095,

selling exports at the best prices, as opposed to pursuing a politically motivated agenda.¹⁹ Many attempts have been made by regional leaders to bring them together in pursuit of regional integration including the Shanghai Forum and the Eurasian Economic Community. By the early 2000s, with Russia and China becoming WTO members, the need to integrate regionally or accede to the WTO was becoming more pressing.

The role of President Nazarbayev in the early days of transition cannot be overstated. Through the inherited soviet legacy he became the self-appointed Leader of the Nation, and has enjoyed almost complete devotion, initially through popular support and later through institutional structural change. When viewed in soft focus, as Johnathan Aitken does in his recent biography, Nazarbayev appears as the architect of the new state, forging international relationships and encouraging nuclear non-proliferation in his role as an emerging statesman.²⁰

It is true that he has worked to ensure the success and survival of the Kazakh people, but it has come at a cost. There is no real opposition party, no protest against the president is allowed, the country has a failing human rights record. Perhaps more worryingly, there is no successor named to follow the current leader, who is entering his late seventies, and who has steadily concentrated his grip on power since 1989. He has consistently stood in the way of democratic progress and embezzled money from state funds, to the tune of many billions of dollars, whilst basic infrastructure and sanitation is missing from most towns.²¹ His vanity has led to the creation of a new capital city to show off his legacy, and he shamelessly promotes himself by emblazoning his face across giant posters in every village. When he eventually

¹⁹ *ibid.* p.55.

²⁰ Johnathan Aitken, *Nazarbayev and the Making of Kazakhstan*, (London: Continuum Books, 2009).

²¹ Ron Stodghill, 'Oil, Cash and Corruption', *The New York Times*, 5 November 2006.

<http://www.nytimes.com/2006/11/05/business/yourmoney/05giffen.html?pagewanted=all>, (accessed 1st July 2015).

succumbs to illness or death there is no structure in place to ensure stability, only a power vacuum waiting to be filled by the greedy circling elites. There is no strength in the parliamentary or judicial system to ensure the rule of law, only a group of men that Nazarbayev has paid and placated into submission by equal turns. When the inevitable occurs, they will seek to increase their stake in the financial spoils of the energy and financial industries.

The history of the country, including the rich cultural detail of its past, helps us to formulate the subject matter of this thesis. There is no 'Central Asia' to study as such; there are disparate countries that have a shared past, but much as with the other FSU states, there is no obvious commonality in their future. Kazakhstan, of all the states has pursued the most active foreign policy whilst Turkmenistan has chosen to almost entirely close itself to the outside world. Uzbekistan has a similar political mentality with its authoritarian leadership, unlike Kyrgyzstan which has managed to become the only democratic multi-party Central Asian republic. Central Asia has been called Central Eurasia, Greater Central Asia and Inner Asia – even Greater Turkey. Kazakhstan in relationship with Russia has been included in Central Asia and as a southern 'part' of Russia. Furthermore, at different times Afghanistan and Pakistan have been added into the division of Central Asia. Indeed, such difficulty in defining Central Asia reminds us of the artificial qualities of regional geography. But in this region of recent states, categories are more fluid than almost anywhere else.

With this in mind, as tempting as it would be to write a 'Central Asian geopolitics' thesis, the unique relationships that each state cultivates with external forces renders this an ill-advised approach. The purpose here is not to compare how the republics have interacted with Russia – since we know this already, but to understand how states can gain autonomy and become important actors from the position of the margin. Quite simply, the other Central Asian republics are either not in a position to achieve this influence, and/or, simply have no interest

in doing so. Furthermore the purpose of the thesis is to understand these relationships as reciprocal interactions with the margins affecting the centre.

Rather than focus purely upon the power states, the purpose is to understand the domestic considerations and drivers that are affecting changes in inter-state relationships on a unilateral as well as regional basis. This inherited energy industry is the foundation of the Kazakh state, economically and strategically, and it what creates the legitimacy for the continuance of the authoritarian government. Understanding these larger international relationships can only be achieved by examining the detail of these state-state interactions through trade and diplomacy with a different collective of international actors. To do justice to this, separate accounts or “single country studies” are required to capture the unique perspective of each republic. To employ area studies to understand why this is so important, to understand why this individuality has been masked, we must next consider how the grand narratives of empire have affected our understanding of Central Asia as a whole, and Kazakhstan in particular.

Classical Geopolitics and the Great Game

Kazakhstan has been subject to a barrage of geopolitical frameworks. This process of framing and re-framing began many decades before its achieving statehood. The colonial, orientalism agenda that these framings have generated have had real consequences for how this ‘space’ on the map has been discussed, divided and dissected. Wars and invasions have scarred these lands in the cause of achieving a strategic advantage through the occupation of this place, and through the domination of the millions of people who live there. Elsewhere there has been a virtual cost in terms of how others think about Kazakhstan. The two ideas that have had the most influence upon the Central Asian states are the Heartland Theory of Halford Mackinder and the Great Game of Rudyard Kipling renown.

Mackinder wrote at the beginning of a new century through epoch defining events; the Sino-Russian War, the defeat of the British in the final Boer War, the death of Queen Victoria and the Roosevelt Corollary. It was during these last years of empire and retreating British power, that Mackinder addressed the Royal Geography Society with a lecture on what he termed the 'Geographical Pivot of History'.²² It was to become an iconic presentation that marked the beginning of geography as an academic subject at the interface of international relations and it continues to influence geographers and political scientists over a century later. His work was not particularly ground breaking, there had been a shift in attention away from the sea-based warfare of the 19th century to the land-based battles that would come to define the 20th century, but it was viewed as timely in its discussion of the need to contain German expansionism.

Central Asia fitted into what he termed the 'pivot' or the 'heartland'. This section of what he termed the 'world island' would be the centre of historical and geographical change. The heartland - once dominated - would provide a 'natural seat of power' from which to propagate a 'world empire'. This was all a component of a wider attempt to proselytise a democratic world vision with a Christian message in the hope of achieving a sanitised empire, and to bring an end to the anti-imperialism that was taking hold in Britain. Central Asia features prominently in Mackinder's work. The particular argument advanced for Britain focused on its importance to securing India and also as the place to stop Bolshevik advances.

²² Halford Mackinder, 'The Geographical Pivot of History', *The Geographical Journal*, Vol.8, No.4 (1904), pp.421-37.



Figure 1. *The Natural Seats of Power*. From Halford Mackinder, 'The Geographical Pivot of History,' *The Geographical Journal*, Vol.23 (1904), p.21.

Mackinder's speech to the Royal Society is the start of an imperial and strategic vision of geography that lingers within the realist tradition to this day. It is the perpetuation of a belief in a world politics that can transcend our culture and ideology: the assertion that geopolitics is the work of a few men of power creating policy places Mackinder in a long line of classical, realist geopolitical thinkers. From Alfred Mahan before him, through to later work of Rudolf Kjellen, Karl Haushofer and Nicholas Spykman, it is a deterministic attitude toward the impact of geography upon the destiny of states that defines this traditional geopolitics. The paradigm implies that it is resources and the geographical location of a state relative to another that will determine the state's political agenda, with little or no focus upon the ramifications of these actions for the othered territory.

There is an element of truth here – factor endowment does create natural advantages and boundaries, which in turn can both impact upon and form lineages of thought. Space in the imperial context is understood through the ‘gaps’ on the Western maps which were closed as the marginalised territories were appropriated, rebranded and colour-coded on the maps of empires. As a physical representation of imperial vision, the map represents the othering of space. To this extent, the map depicted above, *The Natural Seats of Power*, represents an imperial judgment on the spaces which the Great Power states sought to dominate. Yet it dislocates the ‘human’ in the territory, and instead emphasises a geological interpretation of the concept of empire. It creates a series of assumptions built on the ‘innocent’ promise of liberation and a cultural reimagining for a perceived inferior other in pursuit of base material interest.

The second of the two policy defining narratives is the Great Game. Again this is a historical trope, with the longevity to be of continuing relevance to Western interpretation of the region. In its earliest Central Asian context, the Great Game first appears in the letters of Captain Arthur Conolly (1840), who refers to a ‘great game, a noble great game’ in order to highlight what he perceived to be the ‘humanitarian’ endeavours of the British to ‘civilise’ Afghanistan.²³ The modern understanding of the phrase describes two different aspects of imperialism. Firstly, it refers to the network of agents from Britain and Russia that were sent across the region in an attempt to gain intelligence with a view to securing/antagonising British India and to find local allies in the region. In this period, espionage was a form of secret statecraft and realpolitik as opposed to the intelligence gathering of the modern era. Pursued by a motley band of geographers, travellers, journalists and military attaches, the Great Game nurtured a cultural concept of a covert empire in the Middle East and Asia that was sustained as much by fancy footwork as by real power. The Great Game was a reinterpretation of the British

²³ M. Yapp, *The Legend of the Great Game; Elie Kedourie Memorial Lecture*, (Proceedings of the British Academy, 2001), p. 181.

Empire at a moment of decline and used geography to offer nothing less than a new cultural interpretation of the British state and its projection of power at the end of the nineteenth century.²⁴

The second meaning refers to the rivalry of great powers acting out their interests in Central Asia, either using it as 'buffer region' or as a pool of natural resources to be annexed. The phrase has traditionally been used to describe a period of Russian and British *froideur* between the Treaty of Guilan of 1813 and the Anglo-Russian Entente that preceded the First World War in the wake of mounting German imperialism. This school often sees the Great Game as a proto-Cold War with conflict played out by means short of war and through the use of proxy forces. While this vision is compelling it is fundamentally flawed by its strong dependence on historical hindsight and anachronistic longitudinal comparison.

Pervading our consciousness, the phrase 'The Great Game' has been in use for over a century, reapplied to new contexts, regardless of change. In the literature it has been given life through the work of Rudyard Kipling, but it has since become a short-hand for the region and the complex dynamics that make up the regional relationships in historical and political writing. Peter Hopkirk and Robert Johnson describe how, at the time of the Great Game a constant fear of the Central Asian 'other' created the perception of a vacuum that must be subsumed, whilst Alexander Morrison notes the same fear of Central Asia's vast space and the conception of hidden dangers lurking in the emptiness were also present in the Russian Imperial imagination.²⁵ In fact, as John Heathershaw notes, the Great Game created a

²⁴ Priya Satia, *Spies in Arabia: The Great War and the Cultural Foundations of Britain's Covert Empire in the Middle East* (Oxford: Oxford University Press, 2008). See also M. Lynn, Review of Cain, P.J. and Hopkins, A.G. 'British Imperialism', *The English Historical Review*, Vol. 111, No.441 (1996), pp.501–3.

²⁵ Peter Hopkirk, *The Great Game: The Struggle for Empire*, (Oxford: Oxford University Press, 1990); Robert Johnson, *Spying for the Empire: The Great Game in Central and South Asia*, (2nd Ed, New York, Simon Schuster, 2006); Alexander Morrison, *Russian Rule in Samarkand, 1869-1910: A Comparison with British India*, (Oxford, Oxford University Press, 2008); S. Chakravarty, *Afghanistan and the Great Game*, (London: New

‘discourse of danger’ that still exists today and is widely used in contemporary discussions of the region.²⁶ The lurking fear that was started in the Great Game discourse, he writes, continues to this day with ‘the ethnic violence in the late Soviet and Tajik civil war seem[ing] to confirm these fears, leading to an analysis of the region within a conflict prevention... framework’.²⁷

This has not been a phenomenon limited only to literature and academic writing. The Council on Foreign relations *Calming the Fergana Valley* has been a major geopolitical text used to inform US government policy in the region, yet area studies specialists have refuted the claims it made concerning empirical as well as cultural norms as portrayed in the paper.²⁸ Here we see empirically uninformed work operating within a forced and over-simplistic Great Game understanding – an intellectually limited great power model used to understand a complex region. This has obscured the ability of Central Asian states to confront the imperial legacy attributed to them and legitimated discourses alien to the realities of Central Asia. Once the discourse of danger permeates current thinking by policy makers it generates the need for a disciplinary force. The inherent danger of Central Asia requires that the US as the hegemon conducts surveillance of the region, to have knowledge of Central Asia without a reciprocating exchange of information. The realist view beloved of US policy makers perceives world affairs as an extension of American foreign policy in any case, and the Great Game mentality exacerbates this. Although fluctuating between isolationism and a ‘world’s policeman’ perspective, the appeal of the realist critique has withstood, further contributing to the enduring

Century Publications, 1996); M. Edwards, *Playing the Great Game: A Victorian Cold War*, (London: Hamish Hamilton, 1996).

²⁶ John Heathershaw and Nick Megoran, ‘Contesting Danger: A new Agenda for Policy and Scholarship on Central Asia’, *International Affairs*, Vol.87, No.3 (2011), pp.589-612.

²⁷ *ibid.* p.592.

²⁸ See John Heathershaw and Stina Torjesen, ‘Discourses of Danger’, *Central Asian Survey*, Vol. 24, No. 1, (2005); Stina Torjesen and S Macfarlane, *Kyrgyzstan: A Small Arms Anomaly in Central Asia? Small Arms Survey*, Geneva, 2004.

appeal of traditional geopolitics. With this approach however, there can be no Central Asian security policy, only an American security policy towards Central Asia.

Simplistic analysis has pervaded not only policy papers but also the public consciousness especially through the surge of literature generated in the wake of the War in Afghanistan, one of the longest conflicts of the last hundred years. Pseudo-academic/popular literature, handed out on the UK foreign office reading lists for Central Asia, includes writing such as *Taliban: Islam, Oil and the New Great Game in Central Asia* and *The New Great Game: Blood and Oil in Central Asia*.²⁹ As the two titles suggest this is a journey through modern Central Asian geopolitics, but with the simplistic treatment of the region, given an 'authority' through the historicisation of current events supposedly replicated from the Imperial Great Game. This is not a persuasive comparison. The landscape of the 19th century and the present incarnations of the Great Game are not comparable, yet it is often presented as a reincarnation. Some basic elements remain the same; the competition over resources and power projections from the West, and the geographical and historical adjacency of Russia. However, as area specialist Shi Yinhong points out, the Central Asian States are 'not passive pieces on a chessboard, they participate and influence the region in a way not understood or even recognised by the great powers, sometimes playing a crucial role in the game'.³⁰

The Great Game is now a tired narrative that has been dredged up in procrustean fashion from the past and then applied to subsequent events; the Soviet War in Afghanistan (1979-1989) and the present War in Afghanistan (beginning 2001) represent the three most popular historical encapsulations. It increasingly provides a lazy paradigm replete with ethnic

²⁹ Ahmed Rashid, *Taliban, Oil and the New Great Game in Central Asia*, (London: IB Taurus, 2002); Lutz Kleveman, *The New Great Game: Blood and Oil in Central Asia*, (London: Grove Press, 2004).

³⁰ Shi Yinhong, 'Great Power Politics in Central Asia Today: A Chinese Assessment', in Elizabeth Van Wie Davis and Rouben Azizian (eds.) *Islam, Oil and Geopolitics; Central Asia After September 11* (Plymouth: Rowman & Littlefield Publishers, 2007), pp.161-71.

stereotypes and serves to prevent fresh thinking about the region. This latest 'epoch' of post September 11 is considered in much of the realist geopolitical literature to be the third wave of the Great Game and is therefore known as the 'New Great Game'.³¹ In the time between the supposed Imperial and New Great Games, the division of borders has changed significantly. The arbitrary creation of the Central Asian states, not present in the pre-Soviet space, has created a mixture of ethnic groups spilling across borders and dividing multiplicities of language, culture and religion. As a result, the ethnic groups still present in Central Asia flow within and across into neighbouring states creating tensions. Allegiances extend beyond these borders and are not appreciated by the Great Game analysis; the Uyghur population has a strong presence in China, Kazakhstan, Uzbekistan and Kyrgyzstan which creates powerful allegiances that belong not to a state but to a pan-regional vision. The spread across the borders therefore further conflates the difficulty of the simplicity of the Great Game.³²

During the Cold War, Central Asia was enveloped in the Soviet Union's wider identity. The Great Game narrative here is replaced by the understanding of USSR; that of the brooding rapist looking to attack Western Europe that requires a masculinised US to intervene.³³ This homogenous narrative and representation of the FSU states made the USSR appear as a predictable, homogenous and entirely known entity based upon a shared history of retaliation and mistrust. This dichotomised theoretical understanding becomes a mainstay for political action during the Cold War and rendered opaque the multitude of cultures within the fifteen union republics. Cultures that had been developing for centuries were largely ignored by the West, presumed to have been sleeping whilst under seventy years of Soviet rule. As a result, the Great Game literature speaks of Soviet Central Asia as opposed to making the distinction of Central Asia under Soviet rule. Soviet culture also transformed during that time, with notable

³¹ Eric Walberg, *Postmodern Imperialism: Geopolitics and the New Great Game*, (Atlanta: Clarity Press, 2011).

³² John Erickson, 'Eurasian Manoeuvres', in Sally Cummings (ed.) *Oil, Transition and Security in Central Asia*, (London: Routledge, 2003), pp.256-62.

³³ Gearóid Ó Tuathail and John Agnew, 'Geopolitics and Discourse: Practical Geopolitical Reasoning in American Foreign Policy', *Political Geography Quarterly*, Vol.11, No.2 (2002), pp.190-204.

differences in the intensity with which culture was imposed upon Central Asia both through legislative change and the mass evacuations during the Second World War. During the Second World War in particular, Stalin sought to harness both religion and local nationalisms to the cause of the wider struggle against Germany and so policies towards nationalism in the Soviet period were by no means uniform.

We can also see the connectivity between the Great Game, classical geopolitics and the political classes. Brzezinski, a former National Security Adviser to President Jimmy Carter and now an informal advisor to President Obama, lays out his vision of American geopolitics for the approaching century in *The Grand Chessboard*, and the influence of Mackinder is striking - with direct references to the 'Heartland', he goes on to describe the region as the 'pivotal springboard for the attainment of continental domination'.³⁴ For Brzezinski, as for Mackinder, the yielding of Central Asia is the basis of an imperial platform from which to maintain a global hegemonic position, which since the collapse of the Soviet Union created the opportunity for the US to become 'simultaneously the first and only true global superpower'.³⁵ The imperial occupation of this space is not the military conquest of Mackinder's time, but instead is a sanitised version comprised primarily of economic intervention, made palatable for the modern generation of neoclassically inspired politicians and policy prescriptions. Interestingly, China is not considered to be of primary importance to the century's growth, and is written-off as unable to generate enough GDP to generate soft bargaining powers, whilst Russia is dismissed as 'third world'.³⁶ Instead, through an alliance with NATO offering a bridge into central Europe and Japan offering a platform in Asia, America can achieve dominance over Eurasia and the impending alternative of 'international anarchy' can be avoided.

³⁴ Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, (New York: Basic Books, 1998).

³⁵ *ibid.*, p.11.

³⁶ *ibid.*, p.38.

The Great Game narrative has also imposed a sentimental humanitarian agenda upon Central Asia. Rudyard Kipling, who would bring the Great Game into the public consciousness with *Kim*³⁷, described the justification for imperialism as the 'White Man's Burden' in which the cost of colonising becomes the moral responsibility to 'help' the colonised.³⁸ This theme resurfaces in the percolation of geographical determinism from Mackinder through to Brzezinski, and in the continued portrayal of Central Asia as consisting of orientalist others whose wishes are considered subservient to the civilising/humanitarian missions of successive waves of regional interest. The liberal projection of philanthropy through democratic reform and economic liberalism can be seen in the mission statements of countless NGO and Third Sector Bodies. It is exemplified by the European Union's 2003 'Security Strategy' which changed its funding policy from project-based support to the funding of democratisation and security concerns.³⁹

This is not merely an exercise in arguing over definitions; there is much at stake when we misrepresent Central Asia. In this interpretation of the republics, so prominent in the public consciousness; we hide their voice and agency in regional and international affairs, we homogenise their identity and 'other' their experiences. This has ramifications, for how these states are perceived on an international stage, and affects the everyday lived experience of geopolitical decision making. For the 'great powers' such mislabelling and misunderstanding means that intervention in the region can be more easily justified, indeed becomes a moral imperative to uphold security, and any deleterious consequences can be more easily dismissed. Through reducing the experience of Central Asia to a tired imperial trope we are not only acting upon inaccurate information and thereby producing poor policy. We also find that the discourse of danger that is enacted through the Great Game and the civilising

³⁷ Rudyard Kipling, 'Kim', (London: Puffin Classics, 2011 ed, 1901).

³⁸ Rudyard Kipling, *The White Man's Burden: The United States and the Philippine Islands*, (London: McClures, 1899).

³⁹ Ertan Efeşil, 'Analysis of the EU's Central Asia Policy: From a Project-Oriented Approach to a New Strategic Partnership', in *Knowledge, Creativity and Transformations of Society*, (Vienna, INST: Research Institute for Regional and Transnational Cultural Sciences, 2007), pp. 115-28.

missions that have accompanied it, force us to envisage Central Asia through a security paradigm in which we must ever be on alert for an imagined enemy.

There is a growing body of literature that seeks to counter this understanding of the region and it is to this literature that the thesis speaks. Within the literature review there is space to consider the ways in which this has been attempted, and find some room to consider that if the Great Game narrative is not acceptable, then how instead can we find the correct tools with which to understand the interplay of states and people in the region.

Structure and Scope of the Thesis

The thesis is informed by one over-arching question and six linked sub-questions. These in turn inform the structure of the thesis and overall research design and methodology which is set out below -

	Lead Question <i>How has Kazakhstan achieved autonomous foreign policy capability?</i>
1	What are the new dynamics of the relationship between Kazakhstan, Russia, China and the West?
2	To what extent is Kazakhstan capable of utilising marginality, and which tactics of marginality does Kazakhstan use to achieve this?
3	What role does China, Russia and the West play in Kazakhstan post-Afghanistan and what have been the challenges to this goal?

4	How has Kazakh strategic culture developed its own structure? Is it still 'Soviet culture'?
5	Where can Kazakhstan develop next in its foreign policy goals? What are its strengths and weaknesses?

In contrast to the Great Game narrative, this thesis asserts that Kazakhstan has relative autonomy in its foreign policy capability. Far from being the weak pawn on the chessboard of international games, this Central Asian state has been quietly asserting its authority in the region for over a decade through its energy industry. Escaping this imperial and orientalist construct of the region reveals a plethora of rich and rewarding alternative avenues of research. It calls for a locally rooted analysis of the regional dynamics. The actors in this region are the largest and most powerful states that are currently operating in world politics; Russia, China and America. As geopolitics becomes increasingly antagonistic in Europe, it is vitally important that we understand how these large states are 'playing' overseas. If we remain burdened by the assumptions of an imperial game, we misperceive the international political order. Kazakhstan, if it indeed has autonomous decision-making capacity, and indeed 'game-changing' capabilities, will have implications for the future of Eurasian geopolitics. Kazakhstan is not a "small" or a "weak" state and from its position on the periphery has exercised remarkable leverage: it is a prism through which we can see the truly multi-polar nature of world politics in the second decade of the twenty-first century.

In order to fully appreciate this position of strength we must not only create an alternative meta-narrative through marginality, but also explain the underlying dynamics of how this has occurred. The three most crucial aspects of this project are considered throughout the thesis; oil, identity and state strategy. Three of the core chapters explore the central role of the oil and gas industry to this strategic process. Oil forms a case study throughout this thesis as it is through this industry that the state has been able to wield power and influence and without the

discussion of marginality would not be applicable. The energy industry accounts for around 30% of GDP rents and as the thesis shows, secures billion dollar investment contracts with foreign states. Oil is central to the development of Kazakhstan and therefore central to this thesis.

In looking at different layers of analysis, from metanarratives to micro approaches the thesis is not creating an opaque top-down understanding of marginality and expression of Kazakhstan but is instead creating an interdisciplinary, rounded appreciation of the current regional dynamics. This requires understanding of competing international and national strategies, domestic identity politics, state governance, international markets. In doing so the thesis borrows from, and contributes to, political geography, international political economy and energy security, bound together with the rich data of area studies.

As such this thesis has a number of claims by way of its contribution to knowledge. This the first time that Kazakhstan has been considered through the prism of marginality, and it is the first time that the marginality literature has been applied to an oil-based case study. It also appears to be the first study on Kazakhstan, whose purpose has been to re-align the relationship with Russia and China through a systematic review of the energy security and strategic culture of the state. Its claim to originality therefore lies in deploying an area studies approach in order to examine real world geopolitical questions that are generated from the locality itself. In this sense it answers the call of earlier geographers who encouraged the building of knowledge from a single location. This is not the story of Kazakhstan as told by Russia and China, instead it is rooted in Kazakhstan's own history, environment and future trajectory. The results, field of study and parameters of this thesis have been decided *ex poste*, rather than squeezing the Kazakh experience into a formula derived from the international system.

Chapter Plan

To this end, the thesis begins with a short Methodology Chapter. This outlines the techniques and methods that were used to extract the information, and the often arduous and frustrating process that this created. Because oil dominates much of the thesis a lot of time was spent trying to find interviewees, some of who were forthcoming, some went to extraordinary lengths to remain hidden, all added in one way or another to the creation of an area studies approach to a thesis that could easily have remained concerned with metanarratives and post-colonial literatures.

Chapter 1 seeks to position the thesis relative to the growing body of literature that examines the changing position of Central Asia in international relations. It begins by examining the geopolitical framework that will guide this thesis – marginality – and the strand of geopolitics that this position stems from. Marginality draws out the tactics and methods that marginal states use in order to gain power from the centre and to influence the regional and international agenda. It is a positive perspective; it takes as a central assumption the premise that marginal states, those on the periphery of great powers, have the ability to influence the locus of power, and indeed generate their own form of power. As this concept of marginality has yet to be applied to Central Asia, the literature review then examines the alternative explanations that have been put forward by the area studies literature and draws out those which are closest and furthest from helping to achieve this goal of understanding autonomy. Understanding how these foreign policy goals have been achieved requires understanding of the strategic culture of the Republic, and constructs an understanding of strategic culture that is compatible with marginality, to begin to explain the domestic actors and strategic choices that have impacted upon the form of marginality that is present in Kazakhstan.

The chapter then goes on to look at the literature on Strategic Culture. If the marginality framework provides an alternative metanarrative to the Great Game, and the articulation of strategic and tactical choices undertaken by the state, then there needs to be an appreciation for the underlying referent changes that have allowed the meta-narrative of the Game Game to be disrupted. Throughout the thesis, this is considered a strategic choice that is born of

decision-making process made by individuals operating within a given cultural environment. In order to explain how these strategic choices are made the review considers how we must conceive of strategic culture and the way it will influence the ability of the state to become 'marginal'.

The thesis argues that there is a desire on the part of the Kazakh state to have achieved enhanced autonomy. Once we understand marginality, and how autonomy is achieved, we need to explain where the leverage to achieve this occurs, focusing on the Kazakh economy. Understanding this is crucial to understanding the domestic dynamic impetus for power, and the strategic choices that have been made to achieve this.

Accordingly, Chapter 2 examines the powerful constructions of Eurasia. This chapter draws together the competing metanarratives that seek to encompass Central Asia and provides an account of the emerging Kazakh narrative that seeks to unbalance the status quo. Multiple forms of Eurasianism seek to hold Kazakhstan within a particular power structure and although generated by domestic politics, they subvert the autonomy of the region. The chapter considers the impact, shape and scope of these powerful narratives in contrast with the alternative 'Kazakh Eurasian vision', and the capacity of Kazakhstan to use oil as a tool of foreign policy to strategic advantage within this Eurasian ideal. This explanation of the impact of Eurasianism on the strategic narratives of the state, sets the stage for the detailed political economy analysis of the mechanisms through which the state achieves these larger strategic goals.

If Chapter 2 is interested in metanarratives, Chapter 3 considers the granular details of the Kazakh oil and gas sector. This chapter is effectively a case study that establishes a detailed account of the mechanisms that have enabled the strategic visions to be enacted; the people, the legislation, the governance structures of the oil industry that have enabled marginality to take place. Analysis of the changes that have been made since independence, laying the ground work for the country based analysis that will follow. It seeks to understand the individual actors that have been prominent in the changes; which political leaders and industry figures

have brought about change? What are the unique features of the oil and gas industry that have made Kazakhstan successful, and what are the hindrances to development? This chapter lays the ground work to understanding the local level practises that have changed the regional dynamics and in doing so provides the political economy detail that drives the marginality explanation. In doing so it answers some of the questions raised in previous chapters, namely how has Kazakhstan achieved so much under the radar of the Great Game narrative? It also poses new questions for the following chapter, such as, what has been the regional super power response to such autonomous changes in 'their backyard'?

Following this is the first of three chapters that examine the specific relationship between Kazakhstan and the great powers, the purpose is to correct a visible imbalance in the literature. Again, these are centred upon the energy industry but also looks at the cultural and identity changes that have taken place within Kazakhstan that has the Previously, Russia has been given too much prominence in the republic's domestic politics. It has been assumed to have been a consistent force within domestic affairs since independence. Chapter 4 reappraises this relationship, and suggests that this has been over-stated because of the historical connection, and because of the propensity for Russian specialists to become interested in Central Asia, creating an epistemological bias within the literature that derives from Kazakhstan's particular position with the sub-disciplines of area studies. Russia has been incredibly important in the Kazakh development, and the strategic culture that it now exhibits is still tightly bound by the Soviet legacy. However, Russia's infringement upon Kazakh sovereignty is through the threat of military power, rather than through a more productive economic power. It has gradually lost control of its stake within the Kazakh energy industry and as a result, it is less able to influence politics, and only able to exert power through threats. Kazakhstan has deliberately developed the industry specifically in a way that reduces dependence upon Russia to improve its marginal position.

Chapter 5 looks at the changing relationship between China and Kazakhstan. China is typically viewed as an apolitical actor, with state controlled international energy firms operating at the dictate of the Chinese government. So to do we normally see case studies of China acting in resource acquisition in Africa. This study provides a useful counterpoint to this, forcing us to question how we understand the 'resource grabbing' that we have come to understand in Africa. The proximity forces us to ask how apolitical China's energy strategy can continue to be when it is so invested in its neighbour's energy industry. It teaches us about the practises of one of the world's most important and influential actors, and how this state treats those on its margins. From Kazakhstan's perspective what has been lost and gained through this changing relationship, has it been wise to trade one overbearing neighbour for another? To what extent has Kazakhstan forced any unique practises to occur in its energy industry that would show autonomous practises at play?

If Russia and China have been powerful, interested parties in the region, what can we say of America and the European states? Chapter 6 seeks to understand where the promises of the Afghan War era have taken this relationship. To what extent is there an American diplomatic presence in the region? The remarkable WikiLeaks release of secret level Diplomatic Cables here provide invaluable insight into the changing relationship between the states, giving unfettered access to the opinions of the leadership and central figures in the Kazakh government. There are technical aspects of the Kazakh energy industry that require the presence of Western firms. However, there are different levels of engagement with Western energy firms, and this appears to be connected to the level of transparency expected by the host country of the energy firms that are present in the region. The Central Asian states experience the manifestations of the Great Game most strongly through their interaction with the Western states, so how has Kazakhstan managed this relationship?

The thesis draws to a conclusion by considering the way forward for Kazakhstan. What has been achieved so far by the Republic? What is hindering the development of one of the world's largest oil states? What lessons can be learnt from other powerful oil states? What can marginality teach us about oil politics? To what extent has the US project in Central Asia been a civilising mission or a true humanitarian effort? Ultimately, whilst other studies have sought to understand Kazakh geopolitics, none has explicitly asked this question of marginality and autonomy. It is this that makes this thesis a worthwhile endeavour and the start of a fruitful discussion of autonomous practises in Central Asia and the FSU at a time when old power rivalries are igniting.

Chapter 1

Methodology

The rise of multi-polarity and the decline of marginality are occurring across a wide range of locations and regions; indeed, there have been examples on almost every continent. However, by examining these trends in just one region, Central Asia, and focusing on one nation with a particular political culture and institutional arrangements, this thesis seeks to offer some insight into particular questions about the manner in which “small” states can subvert the discourse of the Great Game. It therefore deliberately chooses an area-studies approach, focusing on the particular in order to capture changing attitudes and approaches to the margin and periphery at a local level. Limiting itself to a single case study also facilitates more detailed consideration of specific strategies and also a degree of process tracing around recent key events.

This thesis interests itself in the way in which groups of individuals within Kazakhstan, relatively small in size, respond to the landscape of marginality, which is itself shifting rapidly as a result of new economic realities focused on oil. The focus on elite interviews and micro-level ‘thick descriptive’ accounts of individuals’ everyday experiences of the Kazakhstan experience is an attempt to get beneath the skin of institutional attitudes and responses. Accordingly, my methodology is grounded in work-a-day traditions of area studies, stemming from a year spent in Kazakhstan, rather than the rarified nostrums of international relations theory. While it sees some value in borrowing from critical security studies as first conceived, especially its focus on the ideas of “securitization”, I am mindful of the need for methodological innovation to capture the complexities of local forms and types of government that are emerging in Central Asia and have sought to leverage the time-honoured traditions of area studies to achieve this.

Accordingly this study will employ semi-structured elite interviews with officials, former officials, security journalists and NGOs in central Asia, and to a lesser extent the engagement states of the USA, China and Russia. The interviews constitute the lead research function rather than merely serving a corroborative purpose. They are important in establishing what the key actors think about the changing nature of Central Asia, as well as their more general attitudes, values, and beliefs towards government strategies. While it is possible to obtain some of this information from policy documents, the emphasis on interview has allowed me to draw out the respondents at length regarding their thoughts on key issues. It has allowed me to ask open-ended questions and permitted the respondent to talk more freely. It is appropriate for a project in which I wished to gather rich area studies detail about the attitudes of elites (broadly defined) concerning the future of Kazakhstan. It is especially appropriate given that I wished to reconstruct a number of specific events around responses to the political economy of oil and undertake a degree of process-tracing.⁴⁰

The desire to undertake a degree of process tracing not only informs the emphasis on elite interviews in order to establish the decisions and attitudes that underpinned responses to particular events, it also explains the decision to restrict the thesis to a single country, albeit with multi-national comparisons in terms of its overseas relations. Within this focused inquiry, I have been able to reconstruct specific episodes on the basis of the interview testimony and then compare accounts to give us a sophisticated picture of particular phenomena. Elite interviews are especially appropriate to the examination of a subject that can involve a degree of confidentiality since they can illuminate hidden elements of political action that are not clear from analysis of political outcomes using documentary materials.⁴¹

⁴⁰ Kenneth Goldstein, 'Getting in The Door: Sampling And Completing Elite Interviews', *Political Science & Politics*, Vol.35 No.4 (2002): 669-72.

⁴¹ J.D. Aberbach and Bert A. Rockman, 'Conducting and coding elite interviews', *Political Science & Politics*, Vol.35, No.4 (2002): 673-76.

It also allows greater insight into the fascinating matter of nation-building. As others have argued, the existing literature on Central Asia is fragmented and predominantly focused on the formal, legal and informational rather than social aspects of nation-building. The emphasis on semi-structured interviews distinguishes between formal and informal processes and seeks to unpick some of the social patterns within organizations.⁴²

I have therefore deployed two main methodologies, of which semi-structured interview is the most important:

1 Semi-structured Interviews: Interviews with stakeholders that have been involved in developing or challenging Kazakhstan's international position. Where permitted, interviews were recorded, transcribed and coded in order to allow a comparative analysis of the new logics of marginality.

2 Critical Area Studies Analysis: Collection and analysis of primary (reports, documents, legislation, policy assessments) and secondary (academic/other) materials, with a focus on process-tracing issues of oil and political economy in the local region.

Semi-Structured Interviews

The best approach in terms of locating an appropriate methodology for any research project must focus on the core research question. We need to ask ourselves what sort of methods are most promising in terms of reveal the data that addresses the chosen core questions. The methodological tradition that underpins qualitative research tends to concentrate on power: more specifically on understanding and explaining the thoughts and behaviours of decision makers in complex situations in which policy shift can be opaque and incremental. The main questions that drive this research — how has Kazakhstan and its elites addressed the

⁴² J. Costas & C. Grey, 'Bringing Secrecy into the Open: Towards a Theorization of the Social Processes of Organizational Secrecy', *Organization Studies*, Vol.35, No.10 (2014): 1423-47.

questions of its marginality, and what particular strategies have they used in terms of the political economy of oil to escape great power politics — seems eminently suitable for a qualitative research programme. Extended interviews with politicians, officials, business and specialist journalists proved essential to understanding the complex relationships between formal and informal policy in a country where documentation can be rather uninformative and bland.

Answering this question requires extensive descriptions of the attitudes of elites in Kazakhstan to Russia, China and the West, as expressed through the medium of the political economy of oil, an analysis of the similarities and differences between these attitudes, some explanation as to what factors might explain any discernible patterns in attitudes toward these relationships, and most importantly, some understanding of the opinions and views of overseers themselves. Notably, the research interviews were aimed at obtaining descriptions of events and inter-actions, at determining the extent of an individual's involvement in decisions, and at evaluating the meaning of various decisions and activities. However, the purpose of an interview is not only to obtain descriptions of the views and perspectives of interviewees regarding a particular event or activity, but to use this as a prism into wider notions of strategic culture.⁴³

Self-evidently, an interview can assist researchers to understand and interpret the meaning of a particular political event or phenomena. Given the nature of this particular research, the decision was taken to opt for interviews that are semi-structured with some open and closed questions allowing the interviewee to guide his account of various activities. Interview subjects, or interviewees, were in the category of elite or specialised interviews, including former and current government officials, diplomats, executive branch leaders as well as their aids, staff, and staff directors.

⁴³ Hilary Arksey and Peter Knight, *Interviewing for Social Scientists: An Introductory Resource with Examples* (London: Sage Publications, 1999), p.1.

To a great extent, semi-structured interviews do allow the interviewees to introduce their own notions of what is relevant to the question at hand. This is, of course, the great advantage, but the disadvantage is that the non-standardised responses then make comparisons across the various interviews rather more difficult. Nevertheless, each interview was designed to address broadly the same subjects and some of the same questions were addressed in each instance to the various officials and actors. Accordingly, the task before the researcher is to define the question and the parameters set by the presuppositions around the design of the thesis. Therefore the majority of interview responses will come within the boundaries of the main research question or at least one of the sub-questions. At times an interview went far beyond the boundaries of the question, but was pursued for its own sake, becoming more a piece of oral history, but valuable for its own sake.

In Kazakhstan elite interviewing is difficult. Many officials, in this case the majority of those approached, do not wish to be interviewed and some will offer deliberately bland responses. They are sometimes reluctant to reveal important information which they think might be damaging or detrimental to the reputations of their office or section. For this reason, interviews must be particularly diplomatic and non-aggressive. Sometimes friends, intermediaries and letters of introduction have to be employed. Sometimes, if a subject is not available then talking to someone who knows their views on a subject has to stand as a rather unsatisfactory substitute. Some careful thought about the reaction of superiors to the interviewees is also necessary. Therefore my interviews were not set up as a series of tough questions, but as an engaging conversation between an area studies person and someone from the region who could evoke the style of how things happen, but more importantly how geopolitical relations were being received. These sorts of elite interviews are difficult to access and are conducted rather differently than survey interviewing, because the main purpose of the endeavour is not

to get a large number of interviews for comparison, but instead to collect granular attitudes relevant to the research question.⁴⁴

Where possible (and it was not always possible) to ensure accuracy and to judge how representative the interviews are, each interview was recorded. A wide sample of views within Kazakhstan's executive branch was attempted to make sure that any claims about each group are valid. Accordingly, this research relies on responses to semi-structured questions, mixed with the area studies nexus and documentary analysis. In order to counter interviewer bias and to allow for the elite status of the interview subjects, the interviewees' frame of reference was also noted. I felt it was important to capture with wider context in order to understand where these people stand or sit on wider issues. This is because the interviews are partly intended to assist in deciding whether the primary motivations are cultural, institutional, individual, or international.

Area studies style interviews are by their very nature impressionistic. The reliability of this sort of qualitative research is more authoritative than much other social science and so it will always be regarded as problematic, partly because individual interpretation and subjective intuition are an instinctive part of the results. Inevitably, the research cannot be as precise as quantitative analysis using coding, statistics and mathematics. It can, however, offer insights into more interesting and elusive questions. For this reason, it can be just as valuable as long as the researcher remains objective, systematic, and focused on the general questions of the thesis. Importantly, the researcher must pursue appropriate, non-leading, objective questioning and sustain a degree of transparent thinking.

⁴⁴ Lewis Anthony Dexter, *Elite and Specialized Interviewing* (Evanston, IL: Northwestern University Press, 1970), p.5.

Things that need to be borne in mind during research design are of course reliability and bias, replicability, and verification of data. Reliability is a slippery term but might best be defined as how “reality” is measured. We need to ask ourselves constantly, does the method used for conducting the research invalidate or bias the data in any way? Sadly some researchers can damage or corrupt the results of their own research by asking leading questions or observing the multiple sources of data collection that then extend false confirmation or emphasis to their results.

One of the best antidotes is triangulation. Triangulation of sources can compensate for inevitable weaknesses or undulations in various research methods or specific pieces of collection. Some of the problems in interview methods stem from the imprecise and imperfect nature of human beings and are unavoidable. Sometimes interviewees simply mis-remember to a remarkable degree and reconstruct events from something they have read, honestly believing it to be a memory. By the same token, memory decay, lack of candour, failure to reveal true motivations or latent values and biases, as well as exaggerated or even false answers on the part of the interviewee can make interview data less than ideal. Even without this phenomenon, an interviewer’s irrelevant questions, a failure to understand the meaning of an interviewee, or poor research design can all make interviews a poor research method. Above all the desire to fit data into pre-existing suppositions can also result in poor interview execution.

Theory versus Practise

There is an enormous difference between the theory and practise of interviewing. When I set off I assumed that there would be tough times but that there would always be a way around most problems. This was not the case. There are many different ways in which the best laid plans can go awry and I experienced most of them on this research trip. Some were climate based – I just didn’t want to be moving around very much in seriously sub-zero conditions with

howling wind in a capital city resting on a completely flat Steppe which had once been known as 'White Death' for good reason. Moving around a developing country with limited infrastructure by my self was sometimes challenging, arduous and lonely. Clumsy and forgetful at the best of times, issues with language and culture would sometimes get the better of me.

Kazakhstan is an incredibly safe country and I was never in an unsafe position or felt threatened during my time there. I was able to move freely and did not experience harassment beyond the odd overly persistent cab driver. There were however some uncomfortable experiences related to interviews and situations that would have been advantageous to participate in, but that I ultimately had to turn down. Often interview requests for coffee would be scheduled then moved to dinner in a restaurant and then dinner at the male interviewees' house. These offers then had to be turned down for obvious reasons. Similarly, offers to visit the oil refineries in a helicopter involving overnight stays etc.

often did not feel quite right. I have always been safe in all my overseas travel but it is perhaps because I have risked 'missing out' that I have an 'unblemished' good track record. This wasn't my first time travelling alone and I have learnt that when something doesn't feel right, there is seldom an advantage to testing this gut reaction.

Kazakhstan has one of the highest rates of education for women in the world. This is an incredible achievement that has allowed some women to gain access to the work place in many different levels of management. However, there are still gendered dimensions within the society and for the female researcher. There were few local women that I interviewed over the course of the research trip, and this was despite my actively trying to find women to interview. Mostly these interviews were conducted within the conference context and participants were in lower-graded positions than male colleagues. There are few visible female voices in the patriarchal public and social life.

To give an example of how the best laid plans can go awry in the field let me explain the efforts I went to interview the Chinese energy firms in Astana. I wanted to interview the Chinese energy firm, CNPC. I had tried to track them down at large energy conferences in Almaty but they were not to be found and at \$2000 tickets for the bigger fairs, these events were not accessible on a researcher's budget. I therefore decided to try and track them down via telephone. There is, amazingly, only one phone number for CNPC on the internet and that is to a central office in Beijing. Weeks of research yielded no other telephone number or email addresses. The receptionist on the other end of the line speaks no English, understandably, but this meant trying to track down a local Mandarin speaker to find a contact. After exhausting local contact and wild goose chases, I found a friend from home to make contact and explain the narrative to be passed on to the firm. I was then informed that they had no offices in Kazakhstan and they weren't really too sure what the request for a contact was related to. I wasn't going to give up so I made the journey by train to Astana which is relatively cramped, long and uncomfortable in 35 degrees. Then arriving in the capital I went to the head office there where again the receptionist did not speak English or Russian. There is a similar scenario when I try to visit the Chinese embassy. The concept of research being conducted for a PhD was an almost alien concept which proved to be a major stumbling block to the process of gaining access to the firm. Finally, in a last desperate attempt I hung out in what I was told was a Chinese restaurant frequented by CNPC staff. This was my final attempt. Weeks had gone by and now I am standing in a restaurant appearing slightly unhinged by asking random men if they work for an oil firm. This is one of many strange and often frustrating examples of the interview process.

Sometimes it was not the other person or circumstances that held me back from the interview process, sometimes it was me. I think a lot of researchers both male and female will recognise 'imposter syndrome' creeping into their thoughts. Often I did not feel like I was 'doing real research', that I was play acting a long way from home and not really a valuable or intelligent enough person to have been taking part in the study. There was always the model of an 'ideal

researcher' that I was never quite measuring up to. Finishing the thesis has helped to resolve some of these issues but they linger on, holding me back from undertaking new projects and hindering my ability to reflect upon the relevance of this research to other bodies of literature.

Area Studies versus Social Science

This thesis has tried to meld an area studies approach with the social sciences, and this in part explains the single country focus. Area studies specialists tend to prioritise a detailed, even forensic, knowledge of a people, their culture, values and the way this impacts on their political system. Area studies specialists tend to be multi-disciplinary not only by training but also in spirit. Therefore, over and above understanding the politics of a region, they also seek to embrace its history, literature, languages and above all society. While a social scientist might feel it is entirely proper to study a society at a distance, it would be unthinkable to an area studies specialist to work a country without immersing themselves in the society for a prolonged period of time. Immersion is central and whatever their core discipline, area specialists are spiritually close to ethnographers. Good research, they believe, must be based upon time spent in the field. This has its down side and a gathering of area studies specialists often degenerates into a competition for "authenticity" with researchers from many disciplines, each of whom has devoted their scholarly life to work on the region, vying with each other to show which them has gone more native. The results can, at times, be delightfully absurd.⁴⁵

The obvious problem here is homogenisation. For a social scientist comparing data on the political economy of oil in seven countries, an SME, or displaced peasant, or a family unit, is

⁴⁵ Kirsten Hastr, *A Passage to Anthropology: Between Experience and Theory* (London: Routledge, 1995), pp.2-9, 13-14; Amanda Coffey, *The Ethnographic Self: Fieldwork and the Representation of Identity* (London: Sage, 1999), pp.3-14.

the same in all seven countries, or at least a way must be found to make it so in order for comparative data to be operationalised. Therefore the social scientist will approach specific data extracted from any region with alarming confidence and, some might say a degree of deliberate ignorance. Too many questions about context render comparison increasingly difficult. There are huge assumptions here about the extent to which political phenomena are either specific and area-bound or else universal. This thesis has considered a comparative approach across the different states of central Asia and has rejected this avenue for precisely this reason. Researchers who approach the study of the far abroad as a comparative exercise do not seek to understand region but instead seek to become masters of methodology and rulers by regression. They seek to impress the audience of fellow social scientists, not with the understanding of the subject, but with ever more arcane approaches and tend to sit with those who share similar theoretical concerns rather than any profound understand of that regions.⁴⁶

Specifically in political science, Asianists are often drawn from the subfield of comparative politics, which has changed on the corridors of universities. Area specialists, often generated by the Cold War, for example Soviet specialists, are making way for the masters of data. Mud on boots is less important now than an understanding of Derrida or Bourdieu. This is of course in itself a generalisation, but the trend across Western academia is unmistakable and the implications are important. The general drift over the last twenty years from a more Area Studies approach to "social scientific" methods when studying regions abroad has changed the way in which we view the world. Would American policy-makers, twenty years ago, have been so naive as to say that democracy can be inculcated in Iraq because it has been successfully inculcated in Indonesia?

⁴⁶ Mario Luis Small, 'How to Conduct a Mixed Methods Study: Recent Trends in a Rapidly Growing Literature', *Annual Review of Sociology*, Vol. 37, No.1 (2011) pp.57-86.

The danger is that 'political scientists' begin to view the world in the same way that it is viewed by the state. Whilst this is a generalisation of the social sciences, this trend will surely accelerate as we move into a century that has more and more quantitative data and the temptation to compare and to make superficial judgements that lack sensitivity and cultural depth become stronger. Moreover as the social sciences increasingly marginalise area specialists, graduate students, whose resources are limited, increasingly shift from the study of a region to a new role as trainers in theory and methods. When confronted by a choice between a course in central Asian society or one in econometrics, those who are keen to achieve professional success choose the latter, albeit with a sigh.⁴⁷

There can be no doubt that the trend away from area specialisation towards generalised political science has changed the balance of power within universities. In the distant past, politics departments in the UK were a uniquely inter-disciplinary grouping, with their staff spread out across area studies, philosophy, history and geography. What has changed? Possibly, research councils, which preach inter-disciplinarity, have in practice driven a dry approach that is increasingly about big science and big projects. This certainly explains the declining resource base for Area Studies. Mid-career scholars now rush to master a new vocabulary and techniques that they believe will deliver grants.⁴⁸

But there are bigger issues at stake here other than money. The arguments as to whether to use social science methodologies or anthropological approaches reflects deep tensions between area studies programmes and social science. Historically, area specialists prize a detailed knowledge of a people and their political systems. They are not only multi-disciplinary and eclectic in their approach, but also value the ethnographer's sense of the unique and the empirical. By contrast, the over-arching aim of a social scientist is not to examine the particular

⁴⁷ Jaime R. Pagán-Jiménez, 'Is all Archaeology at Present a Postcolonial One? Constructive Answers from an Eccentric Point of View,' *Journal of Social Archaeology*, Vol.4, No.2 (2004), pp.200-213.

⁴⁸ R. Bates, 'Area Studies and Political Science: Rupture and Possible Synthesis', *Africa Today*, Vol. 44, No. 2 (1997), pp.123-131.

but to develop general explanations, often through comparison. What this actually creates for academics is a generalisation of values and opinions. This thesis quite deliberately seeks to examine the particular. It seeks to capture the specific and the unique, moreover it asserts that the complexity of social terrain is lost as the result of social science imperatives that seek to 'copy and paste' from one exotic landscape to another.⁴⁹

⁴⁹ M. Foucault, *The Archaeology of Knowledge and the Discovery of Language* (New York, USA: Pantheon, 1972).

Chapter 2

Literature Review

This thesis is inherently interdisciplinary in nature. Understanding the changes that have taken place in Kazakhstan's cannot be captured with a single perspective. In turn, there are many disciplines in political science that have the explanatory power to reveal previously hidden phenomena, and in this case it is geopolitics, international political economy and energy security that are critical. If the metanarrative of the Great Game is a tired trope and an irrelevant/defunct explanatory tool, then we need to redress this and ask ourselves what the current geopolitical framework reveals itself to be. This is not a search for a positivist truth, but for a framework that better communicates the international relationships as understood and internalised from the perspective of the Kazakh state. In doing so, the thesis corrects a gap in the literature.

'Marginality' is the key geopolitical concept which this thesis will pursue to explain international and regional interaction. As a geopolitical framework it seeks to understand how states that exist on the periphery of larger states can become powerful actors in their own right, contrary to the mainstream preoccupations of geopolitics and IR. Its application to Kazakhstan, of all the Central Asian states, is a natural fit for the framework through its close spatial proximity to Russia and China, once again reconfirming oil and gas as the fundamental driver of these relationships. In applying this framework to Kazakhstan, this chapter creates a unique opportunity to reveal the ability of the Kazakh state to gain autonomy in these perceived dominant relationships.

However, there are also limits to its explanatory capabilities. Firstly, it is concerned with international relationships, and its purpose is to suggest a criteria of tactics and strategies for states to achieve autonomous capabilities, but does not provide a secondary framework with

which to approach the underlying causal factors that create these 'conditions' for change. As such we need to explore how these dynamics are produced through area studies knowledge and political economy analysis.

Secondly, the marginality literature emphasis upon codifying creates a static understanding of history and therefore fails to account for change. As a result there is a need to introduce an explanatory device that explains the ability of states to 'change' and 'perform' marginality. This is explored through the strategic literature which seeks to understand how cultural practises can seemingly change and yet retain strong ties to historical practise.

With the framework for the thesis explained, the literature review goes on to trace the lineage of area studies attempts to understand the social phenomena of Kazakhstan and Central Asia. The literature review guides the reader through the previous questions that have driven research and in doing so the importance of the thesis contribution to area knowledge becomes apparent.

Geopolitics

Famously, Ó Tuathail once argued that we might rethink geopolitics using the concept of discourse. He suggested that geopolitics might be defined as a 'discursive practice' by which those interested in statecraft 'spatialize' international politics, focusing on particular types of places, peoples and dramas.¹ The new geopolitics does not seek to offer a strategy manual to practitioners of statecraft or to predict the nature or timing of events. Instead, geopolitics provides a conceptual framework that allows us to think through the geographical features affecting international relations and challenging political interactions. While it can serve to alert policy makers to the ramifications of their decisions and focus attention upon the changing physical conditions that are likely to be induced in the current political framework, it is

¹ G. Ó Tuathail, 'Geopolitics and Discourse: Practical Geopolitical Reasoning In American Foreign Policy', *Political Geography*, Vol.11, No.2 (1992): 190-204.

increasingly about ideas of geography as well its reality. Accordingly, Geopolitics has had to overcome its imperial roots as a deterministic geography in order to become a more self-aware, and more reflexive but essentially still a practical, interdisciplinary field of study. It is defined through its construction, and as such whilst it may appear to encompass a broad range of fields and to be generously inclusive it is, at the same time, a highly contested and sensitive label that is located within the time and space of its production.

John Agnew has been a fierce adversary of the essentialist interpretations of geopolitics. Agnew argues that geopolitics has been characterised by a reification of the state, an artificial division between foreign/domestic policy and the use of territorial space as a 'container' for society.² Instead, he suggests, through the end of the Cold War, the complexity of population movements, the information economy and new military technology, there is no longer a need to fall into 'territorial trap'; the diffusion between space and place began to be explored and recognised within geography, and the state was no longer the 'natural' unit of analysis.³ We should now, he continues, see the state as a series of processes in which policies are enacted through the entity of the state.⁴ In doing so, critical political geography considers the conceptualisation of the state as occurring through a series of state-making practises which are contributed to through actors, imaginaries and cultures and reinforced by internal/external dynamics. Furthermore, the aim is not simply to analyse the internal mechanisms of the state, but also the external actors that contribute to the building and maintenance of the state, while at the same time integrating what is inside and outside the state in a fluid and holistic way.

Accordingly, this creates an international, or indeed global understanding, of actors, further blurring the boundaries of where the state begins and ends. Followed to its natural conclusion,

² John Agnew, 'The Territorial Trap: The Geographical Assumptions Of International Relations Theory', *Review of International Political Economy*, Vol.1, No.1, (1994): 53-80.

³ Agnew, 'The Territorial Trap', pp.53-80.

⁴ M. Kuus and J. Agnew, 'Theorizing the State Geographically: Sovereignty, Subjectivity, Territoriality', in K. Cox, J. Robinson, and M. Low (eds.) *The Handbook of Political Geography* (London: Sage 2008), pp. 95, 117-32.

this becomes an exploration of the production of borders, their creation and their use.⁵ This critical turn has opened geopolitics to new mediums, methods and objects of study. Most notably, through the introduction of popular geopolitics, these writers were showing the prevalence of geopolitics in all spheres of life, from the elite to the everyday interaction, and therefore the performative nature of geography began to be explored.⁶ Within the geopolitics of Central Asia literature, as within the discipline more broadly, there has been a tendency for writers to focus upon either the popular or the formal.⁷

However, while this enrichment and diversification has been valuable to the discipline it has also created discord. Amongst the founding writers of critical geopolitics, many have expressed concern at the direction of the discipline and its ability to serve a useful analytic device. Geróid Ó Tuathail suggests that whilst much progress has been made, the subject has moved off course from its original remit and one detects in his critique of more recent writings a familiar tension between the positivist and the post-positivist:

...any serious effort to develop a more geographically responsible geopolitics requires the supplement of regional expertise and fieldwork. Two distinct forms of intellectual labor [have] to be connected, that of 'big picture' foreign policy analysis and that of 'regional expertise' based upon in-depth knowledge of a particular region or state, its scholarly literature, and its contemporary affairs'... This is understandable in that the name of

⁵ See for example for discussion on nationalism and borders, conceptually and in relation to Central Asia: David Newman, 'Boundaries', in J. A. Agnew, K. Mitchell and G. Ó Tuathail, (eds.) *A Companion to Political Geography*, (Malden: Blackwell 2003), pp.123-137.

Nick Megoran, 'The Critical Geopolitics of the Uzbekistan-Kyrgyzstan Ferghana Valley Boundary Dispute, 1999-2000', *Political Geography*, Vol. 23, No.6 (2004), p. 731.

⁶ Jason Dittmer, 'Cold War Geopolitics' in Jason Dittmer and Joanne Sharp (eds.), *Geopolitics: An Introductory Reader* (London: Routledge, 2014), pp. 89-91.

⁷ Examples of the popular focus would be John Heathershaw and Nick Megoran, 'Contesting danger: A New Agenda For Policy And Scholarship On Central Asia', *International Affairs*, Vol. 87, No. 3, (2011): 589-612. For the more formal interpretations see for example, Alexandros Peterson and Katinka Barysch *Russia, China And The Geopolitics of Energy in Central Asia* (London: Centre for European Reform, 2011). <http://www.cer.org.uk/>

the initial critical geopolitical game was the critique of power/knowledge. Nevertheless, in eschewing the regional fieldwork found in some earlier forms of political geography, critique was largely reactive, theoretical and political instead of also being empirical, regional and geographically embedded in the places preoccupying decision makers in major power centers.⁸

For Ó Tuathail, critical geopolitics has removed the homogenous practises of the Cold War era and removed geopolitics from being simply a tool of the state, but it has failed to recognise that critical geopolitics is a form of geopolitics itself.⁹ Instead Ó Tuathail suggests a return to a more localised understanding of geopolitics based upon area knowledge and the generation of a more locally generated geopolitics, inspired by the localities and patient scholarship grounded in the region, rather than born of a purely theoretical pursuit.

For Simon Dalby, this dissonance between the project of critical geopolitics and its current practice can be solved through issues, rather than the locality, studied.¹⁰ Dalby suggests that critical geopolitics had had twenty years in which to impact upon formal geopolitical discourse, which has stubbornly retained Orientalism and empire at its core, and the status quo has persisted. His alternative is to acknowledge the proliferation of 'critical geopolitics' but then turn once again to 'challenge the geographical reasoning' that enabled the legitimization of warfare.¹¹ Nick Megoran goes further in his critique of the discipline and suggests that "critical geopolitics can be criticised for providing a weak normative engagement with the social

⁸ Gearóid Ó Tuathail, 'Localizing Geopolitics: Disaggregating Violence And Return In Conflict Regions', *Political Geography*, Vol.29, No.5, (2010), p. 257.

⁹ Ó Tuathail, 'Localizing Geopolitics', pp. 256–65.

¹⁰ Simon Dalby, 'Recontextualising Violence, Power And Nature: The Next Twenty Years Of Critical Geopolitics?' *Political Geography*, Vol.29, No.5 (2010), pp.280–88.

¹¹ Dalby, 'Recontextualising Violence', pp. 282–88.

institutions and practices of warfare.¹² Acknowledging this, and moving forwards, Jennifer Hyndman also recognises the juncture at which critical geopolitics finds itself, and instead ‘probes the possibility of a post-foundational ethic as the basis for ‘the political’ in critical geopolitics and beyond.’¹³ Her solution is to look again at the cleavage between normative and the critical geopolitics and look for devices with which to create ‘political commitments in specific struggles’.¹⁴

These critiques and reformulations of critical geopolitics cannot be resolved here but underline the intellectual vibrancy of the current debate around geopolitics and the excitement this is generating. Nevertheless, close attention to these debates must condition the parameters of this thesis. If geopolitics is to be re-reconceptualised for the next generation of scholarship it must be mindful of the orientalisising and empire-building conceptualisation hidden within the formal geopolitical landscape; de-align the demarcation of the state boundaries; return geopolitical objects of study to the earlier, more materially concerned subject matter; and finally to introduce political engagement into critique. Within the ambit of these geographical reflections however lie many inconsistencies and unanswered or unexplored avenues of research which demand examination. How best to advance this field of inquiry? One answer, building upon Ó Tuathail, is to look to the locality itself and, as he exhorts us, to ground ourselves in the reality of the textured experience: in effect an appeal to embrace area studies.¹⁵ If we move in this direction then what are the core questions affecting Kazakhstan? What is currently having the most impact upon the Kazakh geopolitical imagination?

¹² Nick Megoran, ‘Militarism, realism, just war, or nonviolence? Critical geopolitics and the problem of normativity’, *Geopolitics*, Vol.13, No.4 (2008), pp. 473–97.

¹³ Jennifer Hyndman, ‘The Question Of “The Political” In Critical Geopolitics: Querying The “Child Soldier” In The “War On Terror” ’ *Political Geography*, Vol.29, No.5 (2010), pp.247–55.

¹⁴ Hyndman, ‘*The Question Of “The Political”*’, p.247.

¹⁵ James D. Sidaway, ‘Geography, Globalization, and the Problematic of Area Studies’, *Annals of the Association of American Geographers*, Vol. 103, No.4 (2013), pp.984-1102.

Marginality

Kazakhstan rests upon the periphery of two of the last century's most powerful Cold War states: the Soviet Union and Communist China. The 'marginality' literature provides a useful perspective on this through its explanation of the relative position that obtains between 'small' states and the global centres of power. It therefore assists our understanding of the Kazakh approach to its own position within the Great Game and Eurasian narratives, which are typically generated by more powerful states and elite communities. Marginality helps to explain the interactions that occur between Kazakhstan and its geographical neighbours (Russia and China) and, furthermore, between its political neighbours (the US and Europe). Yet, even within this narrow context it is not always clear; who is on the margin of whom? Paradoxically, at one time or another each of these states has perceived itself in a position of marginality relative to another state, sometimes simultaneously to each other; America to Europe, Russia to Europe, Europe to America. In this sense, marginality, rather like size, is subjective and somewhat relative to the situational environment, and could be measured by myriad criteria.¹⁶

Marginality, the state of being on the periphery of a central power, need not be a negative association or problematic. Instead, it can be conceived of as a positive space to occupy as it emphasises the ability of the 'margin' to impact upon the 'center'. It is possible to conceive of a marginal state as being akin to a free-rider within a cartel, leveraging benefits from the relationship at relatively low cost.¹⁷ Whilst it would be tempting in this case to take a post-colonial route to understanding Kazakhstan in Central Asia, and thereby to challenge the 'centrality' of Russia, instead this thesis will deploy the idea of marginality to facilitate a different approach. It will leave Russia's centrality intact and instead question the challenges and impacts that Kazakhstan has made upon its former colonial power, as well as its

¹⁶ C. Browning & Pertti Joenniemi, 'Contending Discourses of Marginality: The Case of Kaliningrad', *Geopolitics*, Vol. 9, No.3 (2004), pp.699-730.

¹⁷ Stephen W. Salant, 'Exhaustible Resources and Industrial Structure: A Nash-Cournot Approach to the World Oil Market', *Journal of Political Economy*, Vol. 84, No.5 (1976), pp.1079-1094.

relationship with new regional actors including China and the US, because they form part of the alternative narrative of change in Kazakhstan. In this way, the study of Kazakhstan contributes to our deeper understanding of not only of a seldom discussed region of the world, but also to the knowledge of the central power states of Eurasia themselves, and perhaps even International Relations more broadly.

Marginality is an area of study that belongs to the geopolitics literature, and as such it is focused upon understanding the origins and ramifications of how we shape space on the periphery. Its origins lie within the universal geopolitics literature that emerged from the critical turn which Yves Lacoste and Peter Taylor developed within this sub-discipline during the 1970s and 1980s.¹⁸ However, it was during the 1990s that critical geopolitics began to develop greater sophistication and complexity, driven by the wider cultural turn in the social sciences that was in part a product of the end of the Cold War.¹⁹ The cultural turn was also marked by a growing dissatisfaction with behaviourist and positivist approaches and a search for more interpretive modes of inquiry that were reflexive, open-ended and innovative in their theoretical foundations.²⁰ This new perspective seeks to present a fractured perception of reality, and challenge the state dominance of geopolitics, reengineering its focus upon a more 'everyday' geopolitics. John Agnew and Geróid Ó Tuathail in particular strove to challenge the old orthodoxy and the power structures that were implicit within the state-centric model using the influential work of Robert Cox on historical structures and their role within world order.²¹ This

¹⁸ Yves Lacoste, 'Editorial: Les Geographes, L'Action et la Politique', *Herodote*, Vol.33, (1984), pp.3-32; P. Taylor, *Political Geography* (Harlow: Longman Scientific and Technical, 1989).

¹⁹ Jessica C. E. Gienow-Hecht, 'Shame on U.S.? Academics, Cultural Transfer, and the Cold War: A Critical Review', *Diplomatic History*, Vol.24, No.3 (2000), pp.465-494.

²⁰ Trevor J. Barnes, 'Rethorizing Economic Geography: From the Quantitative Revolution to the "Cultural Turn"', *Annals of the Association of American Geographers*, Vol.91, No.3, (2001), pp.546-65.

²¹ G. Ó Tuathail, *Critical Geopolitics*. (London: Routledge, 1996); R. Cox, Social Forces, 'States and World Orders: Beyond International Relations Theory', *Millenium*, Vol.10, No.1 (1981), pp.126-55; J. Agnew, *Geopolitics: Re-visioning World Politics* (London: Routledge, 2003).

more critical approach provided a welcome critique of classical geopolitics, addressing its weaknesses while providing an emancipatory alternative.²²

Meanwhile, feminist geopolitical writers, such as Dowler, Gilmartin and Hyndman, rather than simply highlighting the inadequacies of classical geopolitics as critical writers have tended to do, instead worked to produce a new perspective that stood well apart from traditional geopolitics.²³ Here, the demarcations between political spaces are obscured to produce more complex understandings of interaction, rather than engaging with the classical framework of the critical writers. This performs a more radical deconstruction of the top-down approaches that have hitherto been offered, but also presents us with a normative model.

Marginality, is itself a marginal discipline of geopolitics and as such many of the same debates are replicable here. Classically, there has been a presumption that to be a marginal state is to be situated away from the centre, to be in a position of disenfranchisement, to be in need of escape.²⁴ Here, power is attributed to the centre, and the margin is perhaps better understood as a periphery, rather than simply a locus of a different conceptualisation of power. Noel Parker neatly summarises this perspective by arguing that this thinking has been generated through the common position of writers as remarkably diverse as Tilly, Foucault, Wallerstein and Lefebvre. He suggests that in each of these positions 'something - a sovereign will, the state the market – has been imagined at the center, extending outwards to engulf the space on its periphery'.²⁵

²² Phil Kelly, 'A Critique of Critical Geopolitics', *Geopolitics* Vol. 11, No.1 (2006), pp.24-53.

²³ L. Dowler, 'And They Think I'm Just a Nice Old Lady', *Gender, Place and Culture*, Vol.5, No.1 (1998), pp.159-176; M. Gilmartin, & E. Kofman, 'Critically Feminist Geopolitics', in L. Staeheli, E. Kofman, & L. Peake, (eds.) *Mapping Women, Making Politics* (London: Routledge, 2004); J. Hyndman, 'Mind the Gap: Bridging Feminist and Political Geography. *Political Geography*', Vol.23, No.3 (2004), pp.307-22.

²⁴ Browning & Joenniemi, 'Contending Discourses of Marginality', p.700.

²⁵ Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins' in (ed.) Noel Parker, *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins*, (New York: Palgrave Macmillan, 2008). p. 6.

However, we also need to note that, as Parker suggests, through the cultural turn that has affected geopolitics and IR more broadly, the question has now changed somewhat. The issue before us is increasingly how best to understand the 'exact relationship between territorial 'centres' and what lies on the edges of their territory; hence the need to pursue a geometry of centers and margins'.²⁶ Here Parker fragments the formal boundaries and negative positioning between states, reclaiming a stronger position for the marginal state relative to the centre power.

Marginality in this form has found a home on the cusp of the 'border studies' literature, by providing much needed insight into the space-time of borders.²⁷ In turn borders help marginality to find the location of the margins and offer us some indications of how to understand how possibility and potential can manifest itself in a space where transgression and resistance are often present. Marginality in this sense is related to geometry in as much as it represents an arrangement of objects and parts. Unless there is "perfect equality between entities, some of the positions in the geometry and around them will be *central* and some will be *marginal*."²⁸ Within the marginality literature there is an extensive debate/discussion on how far this approach should be pushed.

Therefore, for Christopher Browning, there is a fluidity missing in Parker's conceptualisation of the margin; accordingly he argues that it remains rigid despite its inquisitory nature:

²⁶ Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins', in Noel Parker, (ed.) *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins*, (New York: Palgrave Macmillan, 2008), p. 6.

²⁷ Noel Parker and Nick Vaughan-Williams, 'Lines in the Sand? Towards and Agenda for Critical Border Studies', *Geopolitics*, Vol.14, No.3 (2009), pp.582-587.

²⁸ Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins' in (ed.) Noel Parker, *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins* (New York: Palgrave MacMillan, 2008). p. 4.

*Despite Parker's positive understanding of marginality, Parker actually shares with modernism a sociological preoccupation with defining, fixing and categorising just what the attributes of margins are. In contrast, we adopt a post-structuralist discursive and more fluid approach. Instead of trying to define what is and is not a margin, or what capacities and opportunities margins do or do not possess as a category, we take 'margin' to be a discursive concept, the meanings attached to which are constantly open to challenge and change.'*²⁹

Yet, precisely because this thesis is not trying to produce a post-structural account of the 'problem' of Kazakhstan, Parker's work proves to be rather more useful to the thesis, even if Parker himself would not necessarily acknowledge the tensions that Browning has uncovered in his work. Parker is engrossed in the extensive project of the wider understanding and interpretation that post-structuralism embraces, but like Yves Lacoste before him, he walks up to the gates without entering, perhaps sensing uncomfortably what lies within? In the same way that Lacoste is criticised for ultimately producing a defence of normative principles within geography, both writers learn from their journey, working within this understanding whilst still creating a geographic concept with decision-making capabilities.³⁰ It is the 'defining, fixing and categorising' that Parker shares in common with Lacoste that proves so beguiling and that ultimately informs this thesis.³¹

²⁹ Christopher Browning & Pertti Joenniemi, 'Contending Discourses of Marginality: The Case of Kaliningrad', *Geopolitics*, Vol.8, No.9 (2004), p.700.

³⁰ R. Woodward, 'From Military Geography To Militarism's Geographies: Disciplinary Engagements With The Geographies of Militarism and Military Activities', *Progress in Human Geography*, Vol.29, No.6 (2005), pp.718-740.

³¹ J. Fall, 'Lost Geographers: Power Games And The Circulation Of Ideas Within Francophone Political Geographies', *Progress in Human Geography*, Vol.31, No.1 (2007), pp.195-216.

As such, the 'center' that is used here is the definition that Parker provides and provides the foundation for our understanding between Kazakhstan and its neighbouring states. The center is distinguishable by, or what makes a center 'at' the center, 'is their capacity to organize space around them to enclose other entities'.³² Going on to define the margin through the idea of the center, Parker continues to suggest that 'any capacity has its limits, however, and the margin is where the center's ordering capacity begins to ebb'.³³ Here it is the ability, rather than the necessity, to exercise power, that constitutes the key component of this understanding of margin-center relations. This, in turn, allows what we might think of as a looser understanding of the relationship between the center and the margin, and re-establishes the relationship between the two without returning to the classical negative interpretation of this dynamic.

As part of this interest in more nuanced classification, Parker has codified the practises of the margin state. He identifies seven tactics that the margin state can utilise in order to induce positive marginality, aspects of which are clearly observable in the case of Kazakhstan, and indeed also visible in its desire to shift from one center to the next.³⁴

1. *Obtaining loyalty rewards* – The marginal state benefits from the centre by not moving to another centre. This is not something that can be discerned in the Kazakh strategy. Kazakhstan has not positioned itself as the loyal companion of Russia, and increasingly has displayed opposition to Russia's perception of the 'Near Abroad'. This resistance is explored in Chapter 4.

2. *Obtaining intermediation rewards* – Here the marginal state becomes important through its role as an intermediary or interlocutor between other states/regions. This is not

³² Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins', in Noel Parker (ed.), *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins* (New York: Palgrave MacMillan, 2008). p. 8.

³³ *ibid.*, pp.8-9.

³⁴ *ibid.*, pp.13-14.

something that Kazakhstan has achieved, though there is substantial evidence for its attempts to cultivate this relationship. Chapter 5 on Kazakh-Western states relations examines the breakdown/ downgrading of these relationships and asks what role Kazakhstan can now fulfil that will engage their interests in the center.

3. *Competing for rewards* – This is somewhat similar to no. 2 (above), but with the addition of competing with other states for the role of intermediary, such as Finland's claim to being able to facilitate dialogue with Russia. Kazakhstan has sought to utilise this position, seeking to become the 'voice' of Central Asia. Chapter 3, Strategy, considers this in the context of how Kazakhstan has taken on a 'crossroads of civilisation' narrative.

4. *Playing one centre off against another* – The aim of this strategy is to create an auction of benefits. Whilst Kazakhstan has not achieved this in a direct sense, the increased interest in Kazakhstan following large scale Chinese investment in the region suggests that there has been an awakened sense of competition – much to the benefit of Kazakhstan. What is more difficult to calculate is whether this has been a deliberate strategy on the part of the state or an externality of China's interest. This question returns intermittently throughout the thesis, but is explored in depth within Chapter 6 on China. To what extent is this a 'balancing strategy' and to what extent is this simply a strategy or expedience that involves eating from what's available at the time?

5. *Manifest emulation* – Here, the margin state seeks to emulate the characteristics of the centre power to appear more appealing and familiar in order to attract investment/opportunity. Kazakhstan has definitely paid much attention to the Western media game, and has spent considerable sums to make itself appear palatable to the West. Examples include the addition of Tony Blair's Public Relations team to improve its image overseas. This is explored in chapter 3 in the context of strategy and throughout the other chapters as a recurring theme in which Kazakhstan tries to appear as the perfect partner for whomever it negotiates with.

6. *Rent-seeking* – Here is the possibility that a state seeks payment for moving in or out of a state's periphery. Kazakhstan does not seem to emulate this behaviour, beyond its obvious desire to indulge in rent-seeking behaviour more generally.

7. *Guaranteeing order* – This tactic is designed to act as the guarantor of security for the centre state by suggesting it can control the edges of the centre's political space. This is interesting in the context of Kazakhstan because traditionally Russia has presented itself as the 'guarantor' of stability in Central Asia for Europe and the US. In the past, in the immediate aftermath of September 11th, Russia used this ability to ground its relationship with the US. Kazakhstan, in its role as the most affluent of the states has sought to take on this function to a certain extent but lacks the military or economic influence to be able to adequately perform this supposedly/perceivably important range of duties.

Accordingly, even a cursory survey suggests that Kazakhstan has used many of the tactics of Parkers theory of marginality. What will be drawn out repeatedly and throughout the thesis is the ways in which Kazakhstan has fulfilled/ partially fulfilled/ used these tactics in order to overcome the negative connotations of its marginality, and the consciousness implicit within these choices. However, there are some difficulties entailed in Parkers codification of power behaviours which the case of Kazakhstan simultaneously helps to uncover. There is an assumption of power symmetry or uniformity within these classifications that ignores the differences between the types of power that the centre holds. In Kazakhstan, in its ambition to move between centers, there is a difference between the types of power that the centers, in this case Russia and China, exude. Most commentators agree that Russia has the military, aggressive power base, whilst the nominally apolitical China instead confers an economic power dynamic.³⁵

³⁵ Shaun Breslin, 'Understanding China's Regional Rise: Interpretations, Identities And Implications' *International Affairs*, Vol.85, No.4 (2009), pp.817–35.

Again Parker helps us to understand the internal manifestations of marginality; how does Kazakhstan perceive/internalise its marginality? Using Parker's analysis of marginal identity we can ascertain that; Kazakhstan is passively in a marginal position through its geographical and political location, it consciously acknowledges this position, is aware of the potentiality of this position and uses them to an advantage.³⁶ Furthermore, Kazakhstan sees the potential to redefine the received patterns of its experiences from the centers and is aware of the need to redefine itself in terms of the very idea of the centre, even if it cannot fully realise these achievements. Kazakhstan's marginality is open to modification.

Parker goes on to discuss the further potentialities that are available once the margin's identity is understood, and create a list of identity strategies.³⁷ If the centre and the margin act upon the way in which shared/ unilateral understandings of marginal identity are understood - then the identities of both actors are altered. Therefore we can identify and examine a series of 'expressions' of marginality and identity through the discourse and actions of the state.

Table 2.1 Expressions of Marginality

1	<i>Asserting relative autonomy on the margin</i> – The greater the extent to which a state can be said to be autonomous, the greater the extent to which the state, in this case Kazakhstan, can be to utilise the tactics described above.
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³⁶ Parker asserts that there is a six part scale to understanding the basic identification of being considered a margin; I – *Being in a marginal position*; II – *Seeing oneself* in a marginal position; III – *Being conscious of potentialities* that are implicit in being marginal; IV – *Using those potentialities* to advantage; V – On the basis of one's marginality seeing a *potential to redefine* received patterns and; VI – including *other's* identities in such a redefinition. Taken from Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins', in (ed.) Noel Parker, *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins* (New York: Palgrave Macmillan, 2008), p. 15.

³⁷ Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins', in Noel Parker, (ed.) *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins* (New York: Palgrave Macmillan, 2008). p. 15.

2	<i>Competitive emulation</i> – This implies that the marginal state adopts some of the identity traits of the center in order to enter into competition with the center. Kazakhstan can be understood as emulating through the stickiness of the historical institutionalised connection between the Russia and itself, but this is not present with China or the Western states
3	<i>Developing oneself as an alternative center</i> - The aim of this identity is to enhance the margins position through creating uncertainty as to the future capabilities of the center.
4	<i>Legitimising oneself by difference</i> – Here the marginal state assumes an identity based upon being different to the center. Kazakhstan performs this to a certain extent with China, vis-a-vis Russia.
5	<i>Redefining others</i> – Marginal states take on this identity to determine their own identity via anothers, and in this sense is parasitic and destructive to the center. Examples of this would be the changing Russian identity to Europe.

These two paths, tactics and identity, to understanding and interpreting margin states presents a positive understanding of marginality. They represent a series of strategies and action-reaction cycles that can be enacted by the states and help to understand the positions and possibilities that a marginal state can undertake. This theoretical list provides a starting point with which to examine the nature of marginality in Kazakhstan. It does not serve as the basis for a complete explanation of the development of the young nation, nor should marginality be seen as the sum of Kazakhstan's development trajectory or its identity politics. Instead this framework helps to shape and provide direction, in conjunction with the strategy, geopolitics and energy literature to understand how a small nation can operate amongst great powers.³⁸

³⁸ Kent E. Calder, *The New Continentalism: Energy and Twenty-First-Century Eurasian Geopolitics* (Yale: Yale University Press, 2012).

To conclude this section, Parker, and the marginality literature as a whole, tells stories about the construction of the international and regional environment. Parker's core contribution is that he acknowledges and codifies the ways in which marginal states are able to influence the centres of power. In doing so he has uncovered the complexity of the relationship between the boundaries of the state, borders and territory. He has clearly shown that borders and territory are not only constructed by central powers, but that there is a symbiotic system that exists beyond these binary distinctions. Kazakhstan, as a margin state has influenced the construction and understanding of its political spaces, it has not all been the work of centre-born power. It is the realities of how this has been achieved, and the extent to which this has been a conscious choice of the state, industry and civilian population that this thesis seeks to understand. How has a small nation manoeuvred itself in this power relationship, what has it influenced in these centers of power, what has it gained and lost, how far can it use the potentiality of its position?

This framework has its lens of analysis firmly fixed upon the metanarrative which is its greatest strength but also its weakness. Marginality allows us to understand 'what' is occurring, but doesn't provide us with a toolkit for understanding 'how' this outcome has been achieved. We must go elsewhere for explanatory tools, which allow a plurality of approaches to interact with its framework, broadening its applicability. For this thesis, the space that marginality creates allows us to explore political economy 'solutions' through the study of the energy industry in application to Central Asia.

However, this approach is problematic precisely because it focuses upon creating a codified set of principles which effectively creates a hidden tautology: though the framework sets out to display previously hidden and fluid power dimensions it cannot easily account for change

within its static presentation of the status quo. The rigidity of the structure created by the tactics and strategies creates a 'snapshot' effect in which the referent object is considered to be part of a rational actor model. This problematically creates a linear understanding of history and indeed progress as being inevitable and, importantly, rationally created and enacted in the best interests of the actor. This gives the impression that marginality, either as a tool of the state or as an explanatory device, is able to be analysed in a decontextualized context, leaving change unaccounted for. Therefore, an additional explanatory function within marginality to explore how change occurs we can look for literatures that consider the necessity of change within strategy through the literature of Strategic Culture.

Strategic Culture

Strategic culture, in its current fourth generation form, acts as an independent variable to explain how power subverts institutional decision-making and strategic capability.³⁹ It is fundamentally a lens with which to examine gaps between state rhetoric and the emerging reality, to create a theory of process of how critical players such as political elites, parties and institutional power struggles construct and interact with norms.⁴⁰ As a result, the strategic culture literature provides a neat counterpoint and connection between the meta-narrative concerns of marginality, which are focused upon an internationally driven agenda, and allows a practical method of understanding how change can occur within a policy making context to be explored. It is not enough to understand the relationship between Kazakhstan and 'Great Power' states; we must understand the extent to which these changes have been strategically planned, the extent to which they are 'accidents' and the methods that have been developed to create this current geopolitical position. How can we account for change?

³⁹ Michael Desch, 'Culture Clash: Assessing the Importance of Ideas in Security Studies', *International Security*, Vol.23, No.1 (Summer 1998) pp.141-170.

⁴⁰ Alex Burns & Ben Eltham, 'Australia's Strategic Culture: Constraints and Opportunities in Security Policy Making', *Contemporary Security Policy*, Vol.35, No. 2, pp.194.

Studying Kazakhstan not only returns us to the very origins of strategic culture by attempting to understand what remains of a 'Soviet strategic culture' and what has become of the new 'Kazakh strategic culture', but it also develops this oldest tradition with the fresh new eyes of a modern and innovative international relations theory. What makes this study different to the earlier case studies of the discipline is the short to medium-term timeframe that Kazakhstan has been independent. Whilst a lot of strategic cultural studies has been very much concerned with the long-term, historical analysis (in the classic strategic texts of Johnston this is for hundreds of years of Chinese strategy), here we only have thirty-three years of independence to get excited about.⁴¹ It is important to ensure that this thesis avoids some of the pitfalls of earlier research – namely that strategic culture is assumed to be too coherent; have too much continuity; and lacking in critical reflection. Classically, strategic studies has been concerned firstly with political-military strategy, war and conflict and secondly with a realist understanding of the state ruling above its population and confronting the anarchic international order, particularly when it infringes upon domestic sovereignty.⁴²

The relevance of strategic culture to this thesis and our understanding of the power potential of the Kazakh energy industry is formed in multiple ways. Most simply, oil is a strategic commodity. Its combination of everyday consumption, exposure to global market pricing, its wealth-making capabilities and transnational transportation make oil a uniquely valuable commodity. It may not be a military weapon but the energy industry is the single most important tool that Kazakhstan has to manipulate its political position and is its leverage in interactions with China and Russia, beyond its strategic location. It has no independent military to speak of which is independent of either the president or Russia, as discussed later in the thesis.

⁴¹ Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995).

⁴² Ann Swidler, 'Culture in Action: Symbols and Strategies.' *American Sociological Review* Vol.51, No.2 (1986), p.284.

Therefore there is a high strategic value placed upon oil by not only an individual state but also the population and international community. Oil and war have a close and repetitive historical relationship; the Chaco War between Bolivia and Paraguay; the oil campaigns of World War II; the Iran-Iraq War; the Gulf War; the Iraq War; Conflict in the Niger Delta; and the Sudan-South Sudan Border Conflict are all examples of the speed and alacrity with which oil can begat conflict. Kazakhstan has been lucky enough to avoid the resource curse, and its thirty years of independence has not brought conflict, but it has experienced tensions that the natural resource has created both within the Kazakh state apparatus and with its external relationship with Russia.⁴³

Let us consider the broader approach to methodology in understanding the strategic culture of Kazakhstan. In the early stages of the discipline the emphasis was to move beyond the mono-culture of realist explanations of inter-state interactions and to explore the varieties of strategic culture. Scholarship of strategic studies has been dominated in last decade by the debate between the positivist Alistair Johnston and interpretivist Colin Gray.⁴⁴ Johnston belongs to the first generation of scholars to respond to the call for individualisation in strategic thinking through divergence from norm behaviours.⁴⁵ He did not treat culture as an independent variable, nor as a causational tool, but rather cited culture as the cause of strategic behaviours rather than actions per say. Johnston used a longitudinal study of Chinese grand strategy to describe patterns of behaviour as being a school of Chinese realism

⁴³ Luong & Weinthal, 'Oil Is Not a Curse: Ownership Structure and Soviet Successor States', p.10.

⁴⁴ The debate can be summarised as Colin S. Gray, 'Strategic Culture As Context: The First Generation Of Theory Strikes Back', *Review of International Studies*, Vol.25, No.1 (1999), pp.49-69; Alastair Iain Johnston, 'Strategic Cultures Revisited: Reply to Colin Gray', *Review of International Studies*, Vol.25, No.3 (1999), pp.519-23; Stuart Poore, 'What is the Context? A Reply to the Gray-Johnston Debate on Strategic Culture', *Review of International Studies*, Vol.29, No.2 (2003), pp. 279-84; Edward Lock, 'Refining Strategic Culture: Return of the Second Generation', *Review of International Studies*, Vol.36, No.3, (2010), pp.685-708; Alan Bloomfield, 'Time to Move On: Reconceptualizing the Strategic Culture Debate', *Contemporary Security Policy*, Vol.33, No.2 (2012), pp.437-461.

⁴⁵ Alastair Iain Johnston, 'Thinking about Strategic Culture', *International Security*, Vol. 19, No. 4 (1995), pp.32-64

that had been in practise throughout China's history.⁴⁶ However, as Alan Bloomfield is right to point out, this recreates the problem of too much 'continuity', leaving no room for there to be change at all to the strategic culture – as soon as one exception is found to the rule, then the model crumbles as Bloomfield shows with his analysis of Maoism.⁴⁷

The constructivist turn of Colin Gray, corrects this problem. Instead of the positivist its attempts to quantitatively measure and weight ideas against material variables, this ideational turn in the literature ideas act as 'intervening variables to provide meaning to material independent variables'.⁴⁸ This contextual reading understands strategic culture to be a component of strategic behaviour and yet also the by-product of strategic behaviour. Or as Colin Gray himself acknowledges, 'culture is everywhere and... in a practically researchable sense, nowhere'.⁴⁹ Bloomfield here again steps in to correct the tautology. This strategic cultural model rules out human agency through its emphasis on the *coherence* of cultures role in affecting behaviour. If culture determines the context, how can differences be created?

Bloomfield prioritises the need to recognise human agency and the independent effect of material variables such as geography.⁵⁰ If we were to attempt to correct the problems created by too much continuity and too much coherence in our preparation of strategic culture we would be confronted by a continuously ebbing and flowing interpretation of strategic culture, providing too little consistency with which to attach IR theory to. We know that this is not an ideal position because, despite argument over its nature, culture exists. Instead to get around

⁴⁶ Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1995).

⁴⁷ Alan Bloomfield, 'Time to Move On: Reconceptualizing the Strategic Culture Debate', *Contemporary Security Policy*, Vol.33 (2012) p.444.

⁴⁸ *ibid.*, p.445.

⁴⁹ Colin Gray, 'Strategic Culture as Context: The First Generation of Theory Strikes Back', *Review of International Studies*, 25:1 (1999), pp. 49–69.

⁵⁰ Alan Bloomfield, 'Time to Move On', p.448.

this problem we can take the position that 'culturally situated humans (including strategic decision-makers) approach challenges and opportunities of the external environment with some degree of culturally unique interpretative bias'.⁵¹ Social context when understood from the position of the decision maker is the weight that that is assigned to the variable material. The weight, the importance of a given piece of information, of how it is interpreted is what defines strategic culture. Bloomfield gives a useful analogy of the gun to help define strategic culture as how we view a gun depending upon who holds it.

*[A] gun does have some inherent meaning – it is an object that kills, unlike a water-pistol – but its full meaning is only clear when the social context it is being used in is determined. Put in terms of international politics, if one state considers another a 'friend' and that other state is close (the geography variable), powerful (relative power) and advanced (technologically) then the first state will feel generally reassured. But when a 'foe' is close, powerful and advanced, this is likely to elicit apprehension and perceptions of threat.*⁵²

In a bid to create an understanding of strategic culture that allows for change and inconsistency Bloomfield uses the work of sociologists and psychologists to support his methodology, using the concept of cognitive schemas to conceptualise the various subcultures and groups that are present within the state apparatus competing for influence and power. Which subculture have been in control can be observed through the policy choices of the state over a given period of time. At the beginning of any decision the most cultural of the strategic decisions – defining states as friend or foe, can be recognized through the speech

⁵¹ *ibid.*, p.449.

⁵² *ibid.*, p.450.

acts of the state. In the case of Kazakhstan, as we shall see throughout, there is a marked difference between the public speeches of President Nazarbayev towards different states and the policy options that follow. Understanding the international-social context helps develop the understanding of strategic culture beyond these initial judgements. What are the technical details that form part of this decision; perceived cultural similarity, historical agreements and past behaviours etc of states. The technical strategies and options that are then presented as reactions to both the domestic and international environments begin to show how different subcultures form within the state apparatus. These strategic subcultures contain an integrated mix of 'social /cultural and material/technical concepts'.⁵³ The point of the development of subcultures within the methodology of strategic culture is to find compromise between the positions of Gray and Johnston. Gray gives us the idea that culture provides the contextual interpretation, and Johnston allows us to build towards a falsifiable standpoint. At this point, strategic culture becomes something more relevant to policy to build towards understanding possible future outcomes. This is not to suggest that an accurate future can be predicted, but rather that a series of possible outcomes can be factored into present understanding.

What does this methodology review of the literature teach us? That any method of understanding strategic culture must avoid the considerable tautologies that lurk in the depths of IR theory to include space for competing subcultures. This is more than a neat analysis designed to avoid tautologies, it is instead a formula that as Bloomfield points out, is most closely replicated by cultural and behaviour psychologists; it most closely resembles the human decision making process that we are fundamentally trying to conceptualise and extrapolate from in order produce meaningful results. If there is a fault in Bloomfield's work, it is created by the paradigm with which he emerges himself within and one that this seeks to speak to. He synthesises the 'correct' understanding of strategic culture as being a 'weak

⁵³ *ibid.*, p.453.

interpretivist model', which aims to overcome the positivist tropes without altering the lens with which it views the problem. This is to say, his vision is still very much concerned with a singular direction of learning and influence, in which the state is responsible for shaping policy choices, without acknowledging how the state is affected by and learns from its policy choices. It is this understanding of the causal relationship as a behavioural and strategic change between the states experience and its policy choices that are fundamental to conceptualising strategic culture.

Like Bloomfield, Edward Lock seeks to move the debate beyond the oscillation between Johnston and Gray's positions. For Lock, the key problem with the Gray-Johnston debate is not in the tautologies that Bloomfield draws to attention. It lies in the need to not only understand how strategic culture gives meaning to strategic behaviour (as Gray does) but goes further to try and understand how changes occur in the actors engaged in strategic behaviours.⁵⁴ He draws to attention the work of Bradley Klein (who is clear in his dismissal of both Gray and Johnston) and uses his analysis of American strategic culture to emphasise the reciprocal nature of learned behaviour and how this forms state identity.⁵⁵ And so it is that the present developments in strategic culture studies have provided the clearest methodology so far with which to engage with the study of strategy in cultural context. Through Bloomfield's synthesis of the Gray-Johnston debate, taking the best of both arguments and using an understanding based upon competing subcultures to overcome continuity/consistency tautologies we have a clearer methodology with which to begin to approach the complexities of modern Kazakh strategic cultures post-transition. Using the revival of the second generation scholarship of Bradley Klein, Edward Lock has drawn attention to the over-reliance upon

⁵⁴ Edward Lock, 'Refining Strategic Culture: Return of the Second Generation', *Review of International Studies*, Vol.36, No.3 (2010) pp.685-708

⁵⁵ For Klein's treatment of Colin Gray in particular see Bradley Klein, 'Hegemony and Strategic Culture: American Power Projection and Alliance Defence Politics', *Review of International Studies*, Vol.14, No.1 (1988) pp.133-48, p.139. For the best articulation of Klein's position see Bradley S. Klein, *Strategic Studies and World Order* (Cambridge: Cambridge University Press, 1994), p.4.

realist understandings of the state within the earlier scholarship to reimagine the reciprocal, immersive nature of the relationship between policy and actors.

To turn the analytical lens of strategic culture in upon itself, it is worth noting that there is indeed a strategic culture of academia. As Colin Gray notes in a more recent article, the enthusiasm for cultural study may soon fade both because of fashions for policy makers and theorists alike and because new explanatory frameworks will more accurately explain the impending zeitgeist.⁵⁶ In the age of cultural IR, he argues that we must hope that ‘when this occurs ‘some nuggets of lasting value will be left on our intellectual and institutional beaches’.⁵⁷

Because strategic culture creates an understanding of actor behaviour in a framework that encapsulates the human decision-making process we are able to use it to reconnect the meta-narrative of marginality with the micro-level area studies analysis. This helps to create a more rounded explanation that incorporates macro, meso and micro levels of understanding. These distinctions are of course artificial, and not to be treated as inherently discrete properties, but more as guidance for understanding ‘problems’ in their whole, much as Lacoste advises. Furthermore, because strategic culture allows for a sense of continuity and change we can begin to appreciate that through the transition between Soviet to post-Soviet there will remain a lasting legacy but also in parallel there will be the emergence of new strategic practises. As the thesis moves between large strategic narratives, Eurasianism in the next chapter, and detailed country and industry specific chapters (e.g. chapter 3 on Kazakhstan’s energy industry), strategic culture helps to connect these two layers of analysis.

⁵⁶ Colin S. Gray, ‘Out of the Wilderness: Prime Time for Strategic Culture’, *Comparative Strategy*, Vol.26, No.1, (2007), pp.1-20.

⁵⁷ *ibid.*, p.4.

Central Asia

The birth of the Republic of Kazakhstan spurred a flurry of writing on the new era of independence. Whilst those from outside area studies have tended to emphasise a generic Great Game narrative, the area studies community have looked to explore and explain the unique. In the early years after the fall of the Soviet Union, area studies writers sought to pick up the threads of the newly emerging identities, often highlighting the struggle between the pre-Russian and Soviet identities, looking for signs continuity or change between them. In fact, understanding what it means to be Kazakhstani, or Kyrgyz, or Uzbek, has been a consistent and pervasive theme over the last twenty-five years of scholarship. This first generation of geopolitical writing after independence was quick to test theories of international relations against this newly created region. Banuazizi and Weiner suggested that the breakup of empires would lead to conflict between the successor states, using the Ottoman Empire and Austro-Hungarian Empire as examples from which we might learn.⁵⁸ Mehrdad Haghayeghi emphasised the role of Islam in shaping the society and the future of international and regional relations, debating the potential role of religious violence in the southern CIS states.⁵⁹ What has persisted since this initial generation of writing is the apparent stubbornness of the Central Asian states to fit neatly into the existing theories; they often become the exception that proves the rule. As a result, over the years, many authors have been too eager to foresee the imminent failure of the region.

Research on Central Asia has changed as new inter-disciplinary perspectives have come through from neighbouring subjects and cognate areas of research, bending and shaping the way we interpret the region. As is fitting for an area studies approach, the changing pace of life in Central Asia has altered the subject matter considered by the literature. As would be expected, the writers over-lap and extend beyond generational boundaries and classifications,

⁵⁸Banuazizi and Weiner, *The New Geopolitics of Central Asia and its Borderlands* (London: I.B. Tauris, 1995).

⁵⁹Mehrdad Haghayeghi, *Islam and Politics in Central Asia* (London: Palgrave Macmillan, 1995).

nevertheless there are some broad demarcations that present a useful device for categorisation and analysis. The scholarship can be broadly conceived of as having moved in waves: from *transition*; then to *balancing*; and then to *identity and reconnection*:

Transition in Central Asia

The post-independence scholarship, from the mid-1990s onwards, can be divided into trends. Initially the focus was upon the transition and potential of the region. There was a clear need to try to understand what kind of regimes would be generated through independence, and to understand the different factors that would influence the choices of these states as they developed unique identities.⁶⁰ Oliver Roy sought to understand the rhythms of continuity and change through the horde/ clan system that was prevalent in the pre-Soviet era.⁶¹ He understood the direction of transition in Central Asia through the role of the clan and tribe in shaping the development of socialism in the region and as generating a stronger form of loyalty than the nation state in the independence era.⁶² Henry Hale tried to understand why the FSU states had not all experienced conflict in the decade after independence, looking for differences between the regimes that might explain the new emerging regional order.⁶³

Martha Brill Olcott, one of the leading writers on Central Asia for more than thirty years, has charted the changing development dynamics of the region in her work. The lineage of her writing shows the development of Kazakhstan and a strong record of the political forces that were active in the region. Her 1996 publication, appearing in the early post-Soviet era, *Central Asia's New States; Independence, Foreign Policy and Regional Security* stressed the still

⁶⁰ See for example Sally Cummings (eds.), *Power and Change in Central Asia* (London: Routledge, 2002).

⁶¹ Oliver Roy, *The New Central Asia: The Creation of Nations* (New York: IB Taurus, 2000).

⁶² Henry E. Hale, 'Regime Cycles: Democracy, Autocracy, and Revolution in Post-Soviet Eurasia', *World Politics*, Vol.58, No.1 (2005): 133-65.

⁶³ Pauline Jones Luong, *The Transformation of Central Asia: States and Societies from Soviet Rule to Independence* (Ithaca: Cornell University Press, 2004).

powerful reach of the Russian federation in the region and speaks of the potential that could be achieved through stronger regional integration.⁶⁴ She rightly explores the unwillingness/unreadiness of the Central Asian to assume their independence in such rushed and uncertain circumstances. This view point is in accordance with much of the scholarship produced at the time; Russia was the dominant and most explored partner/predator and the one that academics knew best.⁶⁵

In *Kazakhstan: Unfulfilled Promise*, published in 2002, Olcott firmly lays the blame for a perceived imminent failure of the project of the Republic of Kazakhstan at the hands of the state.⁶⁶ She suggests that whilst Soviet corruption meant that money flowed to Russia and then was redistributed to the CIS states, now the Kazakh elite were syphoning state funds with no palliative redistributive mechanism in place to offset the possibility of future civil unrest. Olcott goes on to comment that there needs to be an alternative method of achieving allegiance in order to prevent a doomsday scenario for the state, especially what she perceives as being the potential cleavages over ethnicity and religion. Her concluding chapter suggests that it is the presence of Russia's historical, structural and cultural legacy in the Republic that is holding it together, that this Soviet era legacy is what forms the structural underpinnings of what the state and people have become. She goes so far as to suggest that 'if anything, these regimes have become less rather than more democratic since the United States began its military presence in the region'.⁶⁷ What Olcott does not do is articulate the

⁶⁴ Martha Brill Olcott, *Central Asia's New States; Independence, Foreign Policy and Regional Security* (Washington DC: United States Institute of Peace Press, 1996).

⁶⁵ Neil Melvin, 'Russia and the Ethno-Politics of Kazakhstan', *The World Today*, Vol.49, No.11 (1993), pp.208-10; Stephen Blank, 'Energy, Economics and Security in Central Asia: Russia and its Rivals', *Central Asian Survey*, Vol.14, No.3 (1995), pp.373-406; Stephan Blank, 'The Creation of a Sphere of Influence', *International Journal*, Vol.49, No.4, (1994), pp.788-813; Anatoly M. Khazanov, 'The ethnic problems of contemporary Kazakhstan', *Central Asian Survey*, Vol.14, No.2, (1995); Andrei Kortunova, Yuri Kulchika & Andrei Shoumikhina, 'Military Structures In Kazakhstan: Aims, Parameters, And Some Implications for Russia', *Comparative Strategy*, Vol.14, No.3 (1995).

⁶⁶ Martha Brill Olcott, *Kazakhstan: Unfulfilled Promise*, (Washington DC: Carnegie Endowment for International Peace, 2002).

⁶⁷ Martha Brill Olcott, *Central Asia's Second Chance*, (Washington DC, Carnegie Endowment for Peace, 2006).

parameters of her argument, nor does she thoroughly consider the role of China in the region at this time. In this sense she has failed to show the alternative strategies that would have been available to the Kazakh state in pursuing an alternative development path in independence. What were the other options?

By 2006, in *Central Asia: Second Chance*, Olcott is documenting the state of the region and its achievements after fifteen years of independence.⁶⁸ Her book is a review of the poorly managed international development community's attempts to intervene in Central Asia, the short-sighted singular attention on Afghanistan and the ineffective systemic development of the region's potential as a whole. Her work as a former special consultant to the US Acting Secretary of State means that her analysis of the role of the US government in the region is both skilful and incisive, however, again there remain a number of unanswered questions. What would be the alternative means of interaction? Should the development community have taken action in order to better facilitate change? And how should they have interacted with the authoritarian regimes of the region?

The morphology between these three books, and what they do and do not reference, serves as a leitmotif for the general transition of Central Asian scholarship. The early years were dominated by Russian scholarship, both in terms of the people writing from Soviet Studies backgrounds and the emphasis placed upon Russia in the writing itself. This has perhaps played a role in masking some of the earlier signs of China's integration into the regional dynamics, and is examined in the proceeding chapters on the region. It also highlights the representation of Kazakhstan as forever hovering on the brink of internally generated

⁶⁸ *ibid.*

destruction, or as Olcott warns, 'a fish rots from the head down'.⁶⁹ Despite the rather dramatic predictive claims and doom-laden warnings, this has not yet come to pass.

Balancing Kazakhstan

In the second decade the '*balancing*' competencies of the state evolved as a counter-narrative to the Great Game, and in the third decade of independence the scholarship has focused upon the need to reconnect Kazakhstan to the broader international community, and away from the Pentagon-driven 9/11, Afghanistan-centric, Central Asian research. Coming under different labels, much has been made of the 'balancing' foreign policy that the Kazakh state has adopted. Reuel Hanks used the terminology 'multi-vector' to describe the propensity of the Kazakh state to deftly move between different foreign actors for cooperation opportunities. Multi-vectorism could be applied, and is, to many other states, especially those seeking a neutralist position.⁷⁰ His work highlighted the successes of the policy as it increased leverage with foreign investors, elevated Kazakhstan to regional hegemon; improved its terms of trade in oil industry agreements; and the investment strategy of the state.⁷¹ In fact, the term multi-vectorism was integrated into all facets of the Central Asian literature.⁷² At the same time, clan politics began to be seen as a less important internal dynamic than the role of corporate groups in the distribution of wealth and power, signalling a transition from an older style of operating to a new system in Kazakhstan.⁷³ Quite whether Kazakhstan displays opportunism or true-multivector policy-making is a theme that this thesis returns to throughout.

⁶⁹ Martha Brill Olcott, *Central Asia's Second Chance* (Washington DC, Carnegie Endowment for Peace, 2006), p.2.

⁷⁰ Gregory A. Raymond, 'Neutrality Norms and the Balance of Power', *Cooperation and Conflict, Cooperation and Conflict*, Vol.32, No.2 (1997), pp.123-46.

⁷¹ Reuel Hanks, 'Multi-Vector Politics and Kazakhstan's Emerging Role As A Geo-Strategic Player In Central Asia', *Journal of Balkan and Near Eastern Studies*, Vol.11, No.3 (2009): 257-67.

⁷² See for example Sally Cummings, 'Eurasian Bridge Or Murky Waters Between East And West? Ideas, Identity And Output In Kazakhstan's Foreign Policy', *Journal of Communist Studies and Transition Politics*, Vol.19, No.3, (2003), p.139; Paul Domjana and Matt Stone, 'A Comparative Study of Resource Nationalism in Russia and Kazakhstan 2004-2008', *Europe-Asia Studies*, Vol.62, No.1 (2010), pp.35-62.

⁷³ Barabara Junisbai, 'A Tale of Two Kazakhstans: Sources of Political Cleavage and Conflict in the Post-Soviet Period', *Europe-Asia Studies*, Vol.62, No.2, (2010) pp.235-269.

From 2000 to the present day, critical geopolitics has been applied to Central Asia. This has had the welcome effect of challenging the interpretation of Central Asia by Western geopolitics as 'obscure, oriental and fractious', and deconstructing the 'discourses of danger' that were often present, even dominant at times, within the learned experience of the region.⁷⁴ The aim was to understand the persistence of the Great Game narrative by 'security analysts, the practices of governments, the activities of international aid agencies and numerous lurid films, documentaries and novels'.⁷⁵ These aren't imagined injustices; this literature has engaged with the policy implication of this outmoded analysis. A classic example is the study by Central Asian specialist John Heathershaw on the Council on Foreign Relations publication, *Calming the Fergana Valley*. This research paper has been a major geopolitical text used to inform US government policy in the region, yet its central empirical and culturally normative claims have been refuted.⁷⁶ This paper represents the classic forced Great Game understanding – a simplified great power dimension used to understand a complex region. In short, while the "Great Game" narrative has frequently been disproved, it is, in journalistic parlance, simply too good a story to die.

The literature has also generated new attention upon the crude identity politics that are displayed by the state in its quest for independence and international recognition. Erica Marat looks at the importance of nation branding for the new republic, helping to understand the tools that the state has used in terms of slogans and branding devices to communicate its message.⁷⁷ Edward Schatz develops these themes in order to analyse the difference in the

⁷⁴ John Heathershaw, and Nick Megoran, 'Contesting Danger: A New Agenda For Policy And Scholarship On Central Asia', *International Affairs*, Vol.87, No.3 (2011), pp.589-612; John Heathershaw and Stina Torjesen, 'Discourses of Danger', *Central Asian Survey*, Vol.24, No.1 (2005), pp.1-96.

⁷⁵ John Heathershaw and Nick Megoran, 'Contesting Danger: A New Agenda For Policy And Scholarship On Central Asia', *International Affairs*, Vol.87, No.3 (2011), pp.589-612.

⁷⁶ John Heathershaw and Stina Torjesen, 'Discourses of Danger', *Central Asian Survey*, Vol.24, No.1 (2005), pp.1-96; Stina Torjesen and S. Macfarlane, 'Kyrgyzstan: A Small Arms Anomaly in Central Asia?' *Small Arms Survey*, 2004.

⁷⁷ Erica Marat, 'Nation Branding in Central Asia: A New Campaign to Present Ideas about the State and the Nation', *Europe-Asia Studies*, Vol.61. No.7 (2009), pp.1123-36.

behaviour of the different Central Asian states in terms of their propensity to use violence, and in the 'Westernisation' of their authoritarianism.⁷⁸ Sally Cummings explores these central themes more thoroughly in her book on the process that the elites of Kazakhstan have used to legitimise their regime and the identities, institutions and interests that have kept them in power.⁷⁹ This research lends itself to the thesis because it illustrates and reinforces the interplay between international forces that are shaping the domestic agenda and domestic messages being projected outwards.

Identity and Reconnection

The latest generation of scholarship has focused upon the *identity* politics projected by the state, reflecting trends in geopolitics and also in the changing preoccupations of the Central Asian states. It also concerned itself with reconnecting Central Asia to broader understandings of international relations. It is the latter research that this thesis speaks to, but the former have been instrumental in providing rich historical and theoretical frameworks with which to understand Kazakhstan and the region. In particular there are two recent publications that are also attempt to unpack the prominent Geographical Pivot and Great Game narratives, and it is to these that the review now turns its attention.

Globalising Central Asia by Marlene Laruelle and Sebastian Peyrouse, two leading Central Asian area studies writers, analyses the strategies of external actors and local developments through the legal frameworks and cultural processes that have contributed to the globalisation of Central Asia.⁸⁰ The first part of their study examines the strategies and outcomes of external actors in the region, Russia, China, America and Europe (and is therefore the most relevant

⁷⁸ Edward Schatz, 'Transnational Image Making and Soft Authoritarian Kazakhstan' *Slavic Review*, Vol.67, No.1, (2008), pp.50-62.

⁷⁹ Sally Cummings, *Kazakhstan: Power and the Elite*, (London, I.B. Tauris, 2005).

⁸⁰ Marlene Laurelle & Sebastian Peyrouse, *Globalising Central Asia: Geopolitics and the Challenges of Economic Development*, (New York: M.E. Sharp, 2013).

to this thesis).⁸¹ Laurelle assumes the same starting position; the metanarrative of the “Great Game” is inaccurate as it insinuates that the Central Asian states are passive rather than strategic actors; it homogenises the Central Asian states rather than accentuating their unique qualities; and that the long-term trends favour Russia and China, with a second and third tier of external actors including the US, Turkey, Iran and India.⁸² Her work therefore supports the need to understand the ‘little games’ that are enacted in Central Asia on a unilateral basis, rather than through the lens of ‘Central Asia’ as a unitary actor.⁸³ Here too there is acknowledgement of the multi-vector approach that Kazakhstan has taken as being the only successful balancing foreign policy in the region.

The ‘little games’ framework is a shared starting point, but there are differences between *Globalising Central Asia* and this thesis. Laurelle states that ‘Russia is still the main power in Central Asia through its role as an interface with the West’ through its ‘continuity of processes of Soviet integration in economic infrastructure and institutional mechanisms.’⁸⁴ Furthermore Laurelle suggests that Russia has a role as a cultural mediator and enjoys political legitimacy, with the ability of Russia to be successful in the region being dependent upon Russian domestic strategy concerning non-traditional security threats from Central Asia. Any changes in Central Asian stability may push Russia towards the West, in an effort to share the ‘responsibility’ of Central Asia with NATO members.⁸⁵ This view of Russian regional supremacy and influence is tempered by an acknowledgement that Moscow is ‘not prepared for generational change in the region, ... has failed to cultivate soft power legitimacy [...] and lacks a constructive image of Central Asia’s future.’⁸⁶

⁸¹ The second part of *Globalising Central Asia* considers the economic realities of Central Asia, and the implications that this has had for each Central Asian state.

⁸² Marlene Laurelle and Sebastian Peyrouse, *Globalising Central Asia: Geopolitics and the Challenges of Economic Development*, (New York, M.E. Sharp, 2013), pp.3-7.

⁸³ Laurelle & Peyrouse, *Globalising Central Asia*, p.7.

⁸⁴ *ibid* p. 22.

⁸⁵ *ibid*, p. 22.

⁸⁶ *ibid*, p. 24.

This is clearly an opposing view to the arguments put forward in this thesis. Here Russia is considered as a once indifferent, but now aggressive neighbour, with a strong military presence over the border from northern Kazakhstan, and its use as a cultural mediator with the West is questioned. This is not to suggest that Russia is irrelevant in the region, but that there is more work to be done to uncover the extent to which Kazakhstan has carefully manoeuvred away from Russian power. The strategies used, expressed as a positive form of marginalism, are explored in the following chapters to understand how the Kazakh has distanced itself from Russia, and enhanced its ability to make autonomous foreign policy choices over its energy sector. Furthermore, in Laurelle and Peyrose's study, they acknowledge the need to understand the local states' perspective, but the majority of the analysis is written from the Russian conceptualisation of its relationship with Kazakhstan rather than on the interplay between the two foreign policies. There is also conflation between the five Central Asian states: Russian policy towards each state is treated separately, but analysed collectively.

Of all the writing that sought to unpack the Great Game within Central Asia, a recent collection of essays perhaps undertakes this task most skilfully. *Central Asia in International Relations: The Legacies of Halford Mackinder* is the most complete study of the writings of a man who has cast a shadow over the region for more than a century.⁸⁷ The book begins by exploring Mackinder's theoretical framework, before analysing how these ideas have 'travelled' around the globe and become embedded in world affairs. Thereafter, the book applies these theories to different countries and issues in Central Asia to assess the extent to which this 'framework' can actually explain contemporary dynamics.

⁸⁷Nick Megoran & Sevara Sharapova (eds.), *Central Asia in International Relations: The Legacies of Halford Mackinder*, (Oxford: Oxford University Press, 2014), pp.11-15.

Of these various theoretical applications it is the chapter that concerns Kazakhstan's place within international relations that speaks to this thesis. Gulnara Dadabayeva and Aigul Adibayeva argue that Mackinder's heartland theory is not without pertinence to Central Asia, and that a better formulation would be to consider Kazakhstan a 'gateway to the heartland'.⁸⁸ The heartland theory facilitates our understanding of the relationship between Kazakhstan and its neighbours, particularly helping to explain why Kazakhstan decided to give up nuclear weapons after the fall of the USSR. They suggest that the movement of the weapons was born of the Kazakh state's identification as a gateway state, rather than a heartland state, and that this, coupled with regular US non-military interventions in Kazakhstan, fits comfortably with the heartland framework of global politics.⁸⁹ They are not suggesting that we should wholly embrace Mackinder's framework because there are important inconsistencies. They acknowledge that Mackinder's work is concerned with the anxieties of his age and therefore there is a limit to its application. Furthermore, the US invasion of Afghanistan shows that its importance has been underestimated by Mackinder, and he did not foresee the age of soft power and its application to the US presence in Kazakhstan.⁹⁰

Whilst the authors see room to gain insight from Mackinder, it is because they are willing to bend the framework. It is not enough to suggest that because certain aspects of his study, when viewed in isolation, and then altered for the current epoch, provide a framework that is manageable and applicable. What they do offer is the more accurate and detailed understanding from a domestic, internal perspective as to why the prevailing framework has proved to be inadequate. Furthermore, there are some deductive aspects to the argument in support of Dadabayeva and Adibayeva's propositions, particularly in reference the decision to credit a pre-Soviet, nomadic patrilineal system as the root cause of the current semi-

⁸⁸ Gulnara Dadabayeva and Aigul Adibayeva, 'Mackinder's Legacy Today: New Challenges for Kazakhstan', in Nick Megoran & Sevara Sharapova (eds.), *Central Asia in International Relations: The Legacies of Halford Mackinder*, (Oxford: Oxford University Press, 2014), pp.262-5.

⁸⁹ *ibid.* p.263.

⁹⁰ *ibid.* p.264.

authoritarian governance structure that exists today. Perhaps what really makes this publication poignant is the analysis of how Central Asian scholars in the region have taken on the “Great Game” identity in a misguided search for a way to raise the profile of the region. Embracing Mackinder has created a recognisable formula that has currency with the West and thereby provides a useful trope for securing a more powerful identity, albeit problematic in its nature.

As such this research seeks to shape the thesis through its highlighting of the continued need to unpack the ‘problem’ of Central Asia and Kazakhstan in International Relations. If Mackinder’s framework remains a procrustean bed, then we must find an alternative that works from below, uncovering the mechanisms that are generating change and autonomy in the CIS. Using marginality as a framework and a tool for approaching this task appears to be a better geopolitical tool as it is suggesting avenues of study rather than forcing an answer upon the area. To understand the techniques and dynamics used by the state to improve upon its marginal position requires us to understand its energy industry. This is a core industry of Kazakhstan, its main source of income and a core component of its foreign policy strategy. Until there is a greater diversification of the economy, this will remain the case. Therefore, the evidence for understanding Kazakhstan’s changing relationship with its neighbours needs to be partially, perhaps even predominantly, understood through its energy industry. It is to the interpretations of this energy dynamic that the literature review now turns.

Central Asia and the Global Energy Market

The “resource curse” literature has dominated our understanding of the impact of oil upon developing countries. In much the same way that Central Asia has been assumed to be the pawn of geopolitics, and so experiences a silence in the IR literature, so the story of its energy reserves had been left unexplored, but assumed relevant to the resource curse literature.

Pauline Jones Luong, a Central Asian specialist, has been at the forefront of reconnecting Central Asia with international relations. Not only has her work shone new light onto Central Asian transition in the Western literature, but it has also served to use the example of Central Asia to challenge accepted orthodoxies within international relations literature. In particular, her work with Erica Weinthal on the experience of Soviet successor states and the resource curse has been particularly important in this regard and seeks to challenge the prevailing understanding of an inevitable and prevailing 'Dutch Disease'.⁹¹ Broadly, it is in part of this new tradition of reconnection that this thesis would seek to emulate, but there are points of difference between this thesis and the views of Jones Luong.

In *Oil Is Not a Curse*, Jones Luong makes two central claims. The first is that oil is not the cause of the 'curse' but the ownership structures that the state employs, meaning that even weak states can be successful in their oil ventures. The second claim is that weak institutions are not inevitable in oil rich states. This challenges the central claim of the traditional "resource curse" literature, which supposes that an energy producing state cannot build strong institutions, using the fiscal regimes as the basis of its conclusions.⁹² The study uses Azerbaijan, Kazakhstan, the Russian Federation, Turkmenistan and Uzbekistan to explore how the same legacy encourages divergent fiscal regimes. It is not that states derive income from oil, it is the manner in which it extracts it that is important.

Globalising Central Asia also considers the role of hydrocarbons in globalisation. After giving a précis of the different states assets and position within the global and regional industry, Laurelle and Peyrouse go on to describe the Russian domination of the industry, the critical

⁹¹ Pauline Jones Luong & Erica Weinthal, *Oil Is Not a Curse: Ownership Structure and Soviet Successor States* (Cambridge: Cambridge University Press, 2010).

⁹² Pauline Jones Luong, 'After the Break-up: Institutional Design in Transitional States', *Comparative Political Studies*, Vol.33, No.5 (2000), pp.563-92.

role of Russia in the export markets in the 2000s, and the recent incursion by China into the region. In answer to the question of whether the great powers are dominating the 'game', they reach a similar conclusion to this thesis.⁹³ However, they do not reach a conclusion as to the autonomous capabilities of the Central Asian states, and because this is a small portion of their overall research project - only 8 pages - the strategic detail and challenges are not fully explored. Furthermore, although the study is rich in detail, and helps to finalise some avenues of research in the post-great game literature, their thesis does not fully explore the connection to the globalisation literature in the context of the oil and gas industry through appeals to the broader IR/IPE literature, beyond the analysis of the international actors in the region. Ultimately, *Globalising Central Asia* concludes that its landlocked position ensures it is subject to 'geographical preconditions' and that the Central Asian states will not be a driver of 'economic dynamism' in Eurasia.

All of these books have provided a foundation to the research encapsulated within this thesis. The scholarship on Identity and transition by Sally Cummings and Martha Brill Olcott helps us to understand changing identity politics that have at times constricted and reinvented what it means to be Kazakhstani. Within the thesis this creates a platform to discuss the nation-branding and nation-building exercises contained within state strategy, again building on the work of Erica Marat. The international relations focused literature of *Globalising Central Asia* and energy-led *Oil Is Not a Curse* provided a number of questions which this thesis attempts to provide some answer for; both are concerned with identifying the drivers of Kazakhstan's geopolitical relationship through the energy industry.

⁹³ Laurelle & Peyrouse, *Globalising Central Asia*, pp.165-89.

There is one study in particular of the energy market that has contributed to the thesis and that is analysed in each of the thesis chapters. Understanding how energy has transformed the capability and capacity of the Kazakh state is fundamental to understanding the question of how Kazakhstan has increased its autonomy, and achieved a positive marginality. Throughout the thesis the role of strategic culture intersects with each of these previously discussed literatures.

Conclusion

This chapter has sought to present a review of the most pertinent literature on Central Asia and geopolitics. Within it a methodological framework for understanding Kazakhstan has been put forwards as an alternative to the Great Game or Mackinder's heartland. As the thesis progresses, it is the marginality work by Parker that will help to bind the themes and research in order to understand the capacity of the state to overcome its previously insufficiently marginal position. At a time when Russia is seeking to return to an earlier style of politics and aggressive interventions in neighbouring states, knowing how states can successfully negotiate between relations with larger powers is an increasingly important puzzle. If Kazakhstan, a middle income and developing country has manoeuvred itself to a position of positive marginality, we should be asking how this has happened.

Critical geopolitics and the subsequent work on identity has illuminated the tactics that states use to appear more or less benign. The literature discussed here that examines the identity politics of the state will be incorporated into the thesis to help ascertain some of the tactics that Parker and the marginality literature discuss to come to a resolution on the Kazakh state's capacity. In doing so, this thesis helps to progress the literature. Following on from the previous scholarship on Central Asia, it continues to find ways to express the importance of Kazakhstan to International Relations without resorting to the old tropes of the Great Game or

using Mackinder's worn-out framework. It also hopes to be part of the newer waves of the literature that aims to reconnect Central Asia to International Relations as a discipline, without creating a narrative of either danger or of romance. As yet, the most common explanatory framework that has been used repeatedly in the literature is the 'multi-vector'. Whilst this is a powerful and useful device, it does not tell the full story of Kazakhstan's place in world affairs; the state may not be as capable as it depicts.

So far, the marginality framework has not been applied to Kazakhstan. It is hoped that this will provide new insights and framing of our understanding of how small states can interact with large, and in this case, assertive powers. Laurelle and Peyrose come close to anticipating the question through their work by asking how globalisation has affected the interplay between the region and international markets, but there is still space to pursue this further. Understanding the strategic and energy dynamics in more detail are crucial to understanding how these 'little games' play out in Kazakhstan. Within each of these studies, whether about identity or transition or local politics, the centrality of the energy industry to understanding Kazakhstan is reinforced; oil defines the progress of the nation, for better or for worse. In order to explore 'how' Kazakhstan's transition is manifesting we need to understand the strategic culture that has generated this transformation. What is driving change, and how is it being enacted within institutions? How is it performed for the international and domestic audiences? It is to this last question that the thesis now turns. Returning to geopolitics, the following chapter examines how large competing narratives of the role of Central Asia in the political imagination of larger states. What is the Kazakh state seeking to communicate to the global audience, and how does this interrupt the narratives of those states that seek to subvert Kazakh autonomy.

Chapter 3

Eurasia: Marginal States and Great Powers

If space is constructed, it can be reconstructed. Central Asia has historically found its territory reconstructed, reconstituted and reordered by myriad audiences simultaneously crafted into the image of the creator and disrupting the lived experience of Kazakhstan. By existing as a marginal state surrounded by centers, its presence stands to delineate the limits of surrounding centers; it inherently defines the limits of power. It is where the top-down structures and process of centers are at their most 'stretched', thinning towards an edge.⁹⁴ This does not mean the creation of borders in the sense of a territorial checkpoint, but instead suggests temporal, fluid markers that extend and blur the changing power structures acting within a space. Indeed practises that occur beyond the margin's borders can disrupt and/or proliferate internally generated conceptualisations from within; globalisation, imperialism and enlargement are all examples of this.⁹⁵

Power and marginality is built into the strategic narratives of many states at times creating seemingly inevitable path dependencies. We can see this manifest itself in the events of the preceding seven years, since the global financial crisis, in which a disturbing global trend of increased militarisation and conflict, combined with a decline in safety and security in international society has developed.⁹⁶ In the South China Sea, old fashioned power-plays between China and Japan are driving increased regional military budgets which are re-enacted through public narratives from both sides with aggressive posturing. Similarly, in the Middle East, the flames of long standing rivalries have been fanned by the emergence of new regional actors and their sectarian supporters via proxy wars. In Europe, our attention has been drawn to Ukraine's clash between supposedly unmarriageable Russian and European

⁹⁴ Noel Parker, 'A Theoretical Introduction', p. 10.

⁹⁵ Nick Vaughn-Williams and Noel Parker, 'Line in the Sand', p.585

⁹⁶ Global Peace Index: Measuring Peace and Assessing Country Risk, (Institute for Economics and Peace, 2014).

values via a constant stream of news and propaganda. Indeed the 24 hour news cycle and state-led discourses of both sides would have us believe in an almost inevitable 'return to the Cold War'.⁹⁷ Fuelling these military developments are the nationalistic narratives spurred by the worsened economic climate.

As Joseph Nye notes, these should be prime conditions for a traditional balance of power of the US vs China and Russia. Instead "when it comes to a Sino-Russian alliance challenging the West, history is not likely to repeat itself. Contrary to Putin's hopes, 2014 will not be remembered as a year of successful Russian foreign policy."⁹⁸ The expansionism of Russia and China, and the reawakened interest of Turkey, are all evident in the foreign policy strategies of each state, but to what extent are these strategic choices translating into an 'advantage'? As this thesis will show, Russia is achieving power through aggressive colonialist tactics; China through economic encroachment; and the US is increasingly withdrawing overt interests in the political stability of the greater Central Asian region.

This chapter is concerned with the unpacking the entanglement of competing strategic cultures and power narratives. It uses a broad lens to analyse the strategic trajectory that the Kazakh state uses to assert relative autonomy against great power narratives that seek to present it as weak/peripheral. What are the strategic narratives and cultures that it presents, what are they predicated upon, and in doing so, what competing narratives does it disrupt by its

⁹⁷ For examples from the media in the UK, Russia and Germany see: Simon Tisdall, 'The New Cold War: Are We Going Back To The Bad Old Days?', *The Guardian*, Wednesday 19 November 2014 accessed 18 September 2015, <http://www.theguardian.com/world/2014/nov/19/new-cold-war-back-to-bad-old-days-russia-west-putin-ukraine> ; RT (Russia Today), 'Gorbachev: It's up to Europe to Prevent New Cold War between US and Russia', *Russia Today*, December 01, 2014, accessed 18 September 2015, <http://rt.com/news/210463-gorbachev-us-russia-europe/> ; Markus Becker, 'Nuclear Specter Returns: Threat of War Is Higher than in the Cold War', 13 February 2015, article accessed on 18 September 2015 <http://www.spiegel.de/international/world/munich-conference-warns-of-greater-threat-of-nuclear-conflict-a-1018357.html>

⁹⁸ Joseph Nye, 'A New Sino-Russian Alliance?' *Project Syndicate*, 12 January 2014, accessed 18 September 2015, <http://www.project-syndicate.org/commentary/russia-china-alliance-by-joseph-s--nye-2015-01#RrOYshwisMrDSM3U.99>

assertions of marginality? To answer this, the chapter begins by untangling the threads of security, energy and grand strategy. This requires examining the government's wholly ambitious plan to transform the economy through the energy industry which interacts with the more ephemeral, but equally as politically important, grand narrative of the President. This is then compared and contrasted with the great power narratives that claim Central Asia in their foreign policy narratives through Eurasianism. It is increasingly Russian and Turkic narratives of Central Asia that dominate the dialogue on Central Asia, and in the case of Russia, potentially threaten its future independence and statehood. What do these strategic narratives of great powers mean for the marginality of Kazakhstan? In order to consider the Kazakh state's options for using the energy industry to make a strategic level change to its marginality, the chapter finishes by considering how able the state is to alter its oil and gas strategy to affect change in its regional context at the strategic level. In doing so, this chapter lays a foundation for the following chapter which look upon the actors and mechanisms that are creating the current strategic culture in the energy industry as a whole.⁹⁹

Discussing 'strategic cultures' and their orientation towards Central Asia is not without its difficulties.¹⁰⁰ Firstly, it is problematic to assess the extent to which these proclamations have gained traction within the political and public discourse, and in turn what the 'real' influence of this ideology has been upon political decision-making. Similarly, the work of polemicists such as Aleksandr Dugin has come to dominate much of the academic literature on Russian Eurasianism.¹⁰¹ But to what extent can we say that he is truly an influential figure, rather than

⁹⁹ S. Esenova, 'Soviet Nationality, Identity, and Ethnicity in Central Asia: Historic Narratives and Kazakh Ethnic Identity,' *Journal of Muslim Minority Affairs*, Vol.22, No.1 (2002), pp.11-38.

¹⁰⁰ On the frustratingly elusive nature of strategic culture see Colin S. Gray, 'National style in strategy: the American example', *International Security*, Vol.6, No.2 (1981), pp.21-2; Alastair Iain Johnston, 'Thinking about Strategic Culture', *International Security*, Vol.19, No.4 (1995), pp.36-43; Colin S. Gray, 'Strategic Culture as context: The First Generation Of Theory Strikes Back', *Review of International Studies*, Vol.25, No.1 (1999), pp.49-69; Alastair Iain Johnston, 'Strategic Cultures Revisited: Reply To Colin Gray', *Review of International Studies*, Vol.25, No.3 (1999), pp.519-23.

¹⁰¹ For his own works see Aleksandr Dugin, 'Osnovy geopolitiki: geopoliticheskoe budushchee Rossii, *Arktogeia*, 1997. For his work in academic context see Dina Khapaeva, 'Triumphant memory of the perpetrators: Putin's

a useful trope of the pariah of geopolitics?¹⁰² His ideas and council are routinely sought within the fringes of policy and academia, but to what end are his ideas setting a policy agenda?

This debate echoes some of the central struggles that exist within geopolitics as to the form and methodologies that should be deployed by the discipline. To what extent are we propagating the myths of grand strategic thinking through the reportage of the subject matter, and how can we be mindful of the consequences of propagating the classical inconsistencies that exist within the discipline? Similarly, whilst these strategic visions are articulated in different forms by the state and public figures, it becomes difficult to accurately measure their influence upon the individual policy decisions. In this chapter, a balance has been sought between the propagation of ideas without critical reflection and the knowledge that the grand strategy discourse is often perpetrated in its classical form, behind closed doors or in smoke-filled rooms. To this end, evidence for the Kazakh brand of Eurasianism comes from the centre of power and its detractors; the President regularly releases books of his grand strategy. Much of the academic legitimisation for these proclamations comes from the Gumilëv University's Eurasianist Center which in turn is counselled by state directives.¹⁰³ The majority of the content is illogical and ill-considered, and at times makes difficult reading. For instance, the President's expressed surprise and horror at the global wealth smuggled into tax havens is particularly difficult to countenance in light of the President's exposed millions in Switzerland.

politics of re-Stalinization', *Communist and Post-Communist Studies*, online edition 2016, <http://dx.doi.org/10.1016/j.postcomstud.2015.12.007> ; Anton Barbashin and Hannah Thoburn, 'Putin's Brain Alexander Dugin and the Philosophy Behind Putin's Invasion of Crimea', *Foreign Affairs*, 31 March, 2014. For evidence of the permeation of Dugin into popular Western news narratives see for example Jake Gilber, 'We Spoke to the Man Who's Been Labelled 'Putin's Brain'', *Vice*, 28 April, 2014, accessed 28 03/2016 https://www.vice.com/en_uk/read/aleksandr-dugin-russian-expansionism

¹⁰² Marlene Laruelle, 'Larger, Higher, Farther North... Geographical Metanarratives of the Nation in Russia,' *Eurasian Geography and Economics*, Vol.53, No.5 (2012), pp.557-574.

¹⁰³ Marlene Laruelle *Russian Eurasianism: An Ideology of Empire* (Washington DC: Johns Hopkins University Press, 2008), p.181. On the centre see Leo Gumilëv, *Ethnogenesis and the biosphere* (Moscow: Progress Publishers, 1990).

However, within this portentous presidential literature sits the ideological underpinnings of the state and its action points for the future of Kazakhstan.

Entanglement of Security, Grand Strategy and Energy

Kazakhstanis are today experiencing their highest ever per capita standard of living. Over the last five years oil production has risen to just below that of the United States, and with it the development trajectory of this fledgling nation has continued to rise.¹⁰⁴ With this accelerating growth has come a changed foreign policy orientation and an increased autonomous capacity. Whilst in the early 2000s experts were investigating the new relationship that the Central Asian states were developing with the United States, now it is China that is ingratiating itself within these advancing economies and this is impacting upon the strategic future of Kazakhstan and its future development in a number of complex ways.¹⁰⁵

Foreign direct investment and technological innovation are the twin drivers of transformation since the 1990s, for both Kazakhstan and for the global energy industry. Shale gas has resulted in something of a world commodity *bouleversement*, turning importer nations into exporters, albeit with currently high extraction costs, altering the supply and demand energy dynamics between the North and South American states. In Europe, consternation is building as a mercurial Russian foreign policy begins to intertwine with energy policy as sanctions begin to affect the Russian economy, with every possibility that Moscow will seek to use oil and gas as a weapon.¹⁰⁶ Meanwhile European international oil firms continue to pursue new investment destinations in order to diversify risk. African energy producers are challenged by

¹⁰⁴ UNDP, *Human Development Report 2014* (New York: Oxford University Press, 2014).

¹⁰⁵ Pauline Jones Luong and Erica Weinthal, 'New Friends, New Fears in Central Asia,' *Foreign Affairs* (March/April 2002), pp.61-70.

¹⁰⁶ Christian Dreger et al, 'Between the Hammer and the Anvil: The Impact of Economic Sanctions and Oil Prices on Russia's Ruble' *Journal of Comparative Economics*, available online 13 January 2016, doi:10.1016/j.jce.2015.12.010

domestic and regional conflict, presenting major challenges to their efforts at attracting the FDI needed to improve the supporting industrial infrastructure.¹⁰⁷ Middle Eastern powerhouses of energy production are facing their own energy challenges, predominantly through the exorbitant and rising costs of their inefficient industries and growing domestic consumption, as well as the increasing regional instability and conflict that has been accelerated as the result of the “Arab Spring”.¹⁰⁸

All of these regional shifts challenge the existing international market structure, and as a result, the operating environment of the actors within the Kazakh energy industry. Whether through the long-term strategic interests of the state or the investment choices of the international firms operating on the Steppe, the ramifications of this complex interconnectivity cannot be underestimated in this most capital-intensive of the extractive industries. The 2050 strategy that is designed to address the inefficiency of the industry and thereby increase the oil available for sale by reducing domestic, subsidised oil consumption is under direct threat from the aggressive Russian Eurasianism. In turn this creates an unpredictable operating climate for foreign investors and also for the domestic development path which has significant consequences for the Kazakh population.

How to untangle these challenges in the domestic energy developments and their complex connections to international developments is partially a matter of defining energy security. Here, the understanding of energy security is meant to convey the importance of obtaining secure access, supply and affordable energy for both producer and consumer states. It also conveys meaning to the energy security needs of not just the state, but also the distribution

¹⁰⁷ See for example Victor Asal et al, ‘Political Exclusion, Oil, and Ethnic Armed Conflict’, *The Journal of Conflict Resolution*, (February, 2015), pp.1-25; David Harris, *Civil War and Democracy in Conflict Resolution, Elections and Justice in Sierra Leone and Liberia*, IB Tauris, 2015.

¹⁰⁸ A. Malik and Bassem Awadallah, ‘The economics of the Arab Spring’, *World Development*, Vol.45, No.2 (2013), pp.296-313.

network for populations. Importantly, the objective of being considered 'energy secure' should not come at the expense of the other domestic strategic objectives whether they be military, economic, development or political. This understanding provides a more holistic approach to energy security, which acknowledges that true and meaningful energy security can only be achieved if it does not hinder other strategic objectives. By using this perspective as a holistic energy security test, can we say that Kazakhstan this is energy secure?

For the basic purposes of its own domestic needs, Kazakhstan is secure.¹⁰⁹ It has the capacity to supply to all citizens at a subsidised rate, although this would be better if it were sold to other countries, while more renewable resources might be used at home. As a result the core component for Kazakh energy security is to secure demand, rather than supply, as is normal for most other commodity-producing nations. Kazakhstan also has some advantages to its landlocked position. China, the largest net importer of oil, is its nearest neighbour and through the pipeline there is a security of supply, similarly there is an increasingly secure supply to Europe through the soon to be completed pipeline.¹¹⁰

However, to be uncompetitive on price is also to be 'insecure'. As the previous chapter shows, the budgets of the largest Kazakh oil fields are rapidly rising which dramatically increases the price-per-barrel. Furthermore, the Kazakh state's economic reliance upon the oil industry to meet its domestic development targets hinders its ability to be energy secure. This dependency is generated through these high operating costs in some of its biggest oil fields (such as Kashagan) that are trying to function in an era of increasingly volatile medium-term

¹⁰⁹ For government generated data on the state of energy security in Kazakhstan there has been much information published on the back of an attempt to hold a UN non-permanent Security Council membership position in 2017/18. Kazakhstan UNSC, *Energy Security In Kazakhstan – Powering The Future* (Astana: Government of the Republic of Kazakhstan, 2014).

¹¹⁰ P. Andrews-Speed, Xuanli Liao, and Roland Dannreuther, *The strategic implications of China's energy needs*, (London: Routledge, 2014), p.35.

market prices. This translates into the uncompetitive pricing of Kazakh products on the international market and also further revenue loss from the already heavily subsidised domestic markets. Indeed, domestic consumption is so remarkably inefficient that it hinders the ability of Kazakhstan to capitalise on its natural resources to the fullest extent.

Furthermore, whilst China is becoming an increasingly important destination for Kazakh oil, Kazakhstan remains energy insecure through the shared historical energy network with Russia. Until the pipelines and refineries can be brought under the exclusive physical protection of the Kazakhs, Kazakhstan will remain energy insecure throughout the transportation stage of its supply cycle.¹¹¹ Kazakhstan will not be energy secure until it has realised its ambition to protect its geographical borders with Russia and its supply capabilities in the face of a changing geopolitical climate and Russian expansionism. In this sense, Kazakhstan's quest for security is confounded by Russian hard power in the region, and whilst the Kazakh state has taken substantial steps towards this goal, the shadow of Moscow's military power still looms over all the Central Asian states.¹¹²

Presented with this conundrum, it becomes apparent just how closely the ideas of energy and security are intertwined; how they operate in parallel; and how energy forms part of the broader strategic interests of the state. In effect, the grand strategy of the state is an interplay between local, regional and international actors informing and responding to the national power structures and institutions, working to achieve defined policy outcomes. This should provide a grand narrative with which to unify all other policy decisions and to communicate the vision for the state to citizens, and a framework of understanding with which to define diplomatic

¹¹¹ Edward Chow & Leigh Hendrix, *Central Asia's Pipelines: Field of Dreams and Reality*, NBR Special Report no. 28, (The National Bureau of Asian Research, 2010).

¹¹² Younkyoo Kim and Fabio Indeo, 'The new great game in Central Asia post 2014: The US "New Silk Road" strategy and Sino-Russian rivalry', *Communist and Post-Communist Studies*, Vol.46, No.2 (2013), pp.275-286.

communication with other states. Obviously, the lucidity of this vision and the extent to which it is clarified and communicated to the intended audiences depends upon the state in question and the sophistication with which all this is operationalised.¹¹³

In Kazakhstan there is an added complication. The future vision and attendant aspirations that the state has for itself - and the version of this that it communicates to other regional actors - has to be expressed in a non-threatening manner. For example, to express a strong pro-Western vision of Kazakhstan would compromise its relationship with Russia.¹¹⁴ As we can see from the Ukrainian example, the political and military ramifications of expressing such a position that could aggravate or alarm Russian interests in the region could prove calamitous for President Nazarbayev. Despite being a European state, this aggression has largely gone unchecked by the international community and the 'legal' rationale of the attacks has remained unchallenged despite over 6000 dead at the time of writing.¹¹⁵ Aware of the gravity of the situation, formal articulations of strategic objectives by Astana are sometimes opaque on these sensitive matters. The clarity of Kazakh grand strategy is further obscured by the mercurial characteristics of the authoritarian leadership, with its propensity for ambitious plans and announcements, and also by the presence of corrupt political factions that require placating with business deals.

¹¹³ C. Wasinski, 'On making war possible Soldiers, strategy, and military grand narrative', *Security Dialogue*, Vol.42 No.1 (2011), pp.57-76.

¹¹⁴ N. Jackson, 'The role of external factors in advancing non-liberal democratic forms of political rule: a case study of Russia's influence on Central Asian regimes', *Contemporary Politics*, Vol.16, No.1 (2010), pp.101-118.

¹¹⁵ See for example the military, geopolitical and legal justifications for the intervention by Russia in Ukraine. Roy Allison, 'Russian 'deniable' intervention in Ukraine: how and why Russia broke the rules', *International Affairs*, Vol.90, No.6 (2014), pp.1255-97.

In part, we can perceive the vision that the Kazakh state wishes to communicate through a series of PR and nation-branding exercises that have been in progress since independence.¹¹⁶ As the Central Asian states are born of a post-Soviet era land-division, the return to a pre-Soviet era identity would have been both confusing and problematic for each of the Central Asian states because of the multiple ethnicities and cultures that criss-cross the land over the political borders. As is so often the case with post-colonial entities, in the new era of independence, each Central Asian state has sought to promote itself as autonomous of its neighbours, rather than building a collective regional identity and in the process has not necessarily chosen the path of maximum economic development. In a bid to make itself distinct, Kazakhstan in particular has embarked on an ambitious program of nation-branding, choosing to bill itself as the 'Heart of Eurasia' and the 'Crossroads of Civilisation', accentuating the importance of its geopolitical position. The image of a crossroads also helps to link Central Asia to Europe and is therefore usefully suggestive of openness and a commitment to reform.¹¹⁷

This logic should appear similar to the strategic positioning of the UK by Prime Minister Tony Blair during 1999-2003. Blair saw the position of the UK as a 'bridge' between the US and Europe, using the unique legacy of the British diplomatic connections bequeathed by its former colonial presence, together with its highly professional foreign service, to facilitate peaceful negotiations or otherwise address the major crises of the day.¹¹⁸ Whilst the effectiveness of this strategy for Britain is debateable, it is perhaps not a coincidence that Kazakhstan's authoritarian leader has drafted the former British Prime Minister to facilitate strategic planning.

¹¹⁶ See for more information Sally Cummings (ed.), *Symbolism and Power in Central Asia: Politics of the Spectacular* (Oxon: Routledge, 2013), pp.2-13. Also R. Isaacs, 'Nomads, warriors and bureaucrats: nation-building and film in post-Soviet Kazakhstan,' *Nationalities Papers*, Vol.43, No.3 (2015), pp.399-416.

¹¹⁷ E. Marat, 'Nation Branding in Central Asia: A New Campaign to Present Ideas about the State and the Nation,' *Europe-Asia Studies*, Vol.61, No.7 (2009), pp.1123-36.

¹¹⁸ Michael Harvey, 'Perspectives on the UK's Place in the World', Europe Programme Paper 2011/01, *Chatham House*, December 2011, accessed 18 September 2015, http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Europe/1211pp_harvey.pdf

Tony Blair has been working with the Kazakhstan leadership since 2011 through Tony Blair Associates, a geopolitical and strategic consulting firm he founded once leaving parliament. During this time he has offered advice to President Nazarbayev on the best methods with which to handle the Western media, most controversially on the subject of the Zhanaozen massacre in 2011.¹¹⁹

This strategic vision of Kazakhstan as the benign facilitator and economic crossroads has been solidified through a series of political projects. After slowly stalking the OSCE leadership seat, Kazakhstan secured the position in the same year that allowed it to lead the Organisation of the Islamic Conference (OIC). The Kazakh government described the OSCE leadership as 'present[ing] a unique chance for Astana to further promote one of its major foreign policy goals, that of fostering greater understanding and cooperation between the East and the West' whilst also insisting that 'large-scale inter-institutional cooperation between the OSCE and the OIC has been long advocated by Kazakhstan.'¹²⁰ This provided the Kazakh leadership with a unique diplomatic position. Not only could it achieve its ambitions of becoming more widely recognised in Europe, but it could also use its previously underplayed Muslim identity to forge connections with wealthy states as Kazakhstan began its foray into Islamic finance.¹²¹ It also continues to project the strategic vision of "the crossroads". So too did Kazakhstan's role in the Iranian nuclear negotiations at which it hosted the international community during the 2013 P5+1 talks (after they were previously and unsuccessfully held in Baghdad, Istanbul and Moscow). Furthermore, Kazakhstan has also chaired the Collective Security Treaty Organisation and the Shanghai Cooperation Organisation, both of which operate as

¹¹⁹ The Economist, 'Democratic reforms, still TBA', *The Economist*, 16 November 2013, accessed 16 September 2015, <http://www.economist.com/blogs/banyan/2013/11/tony-blair-kazakhstan>

¹²⁰ Embassy of the Republic of Kazakhstan in Helsinki, 'Kazakh Leadership in OSCE, OIC to Help Promote East-West Dialogue', *Government of the Republic of Kazakhstan*, accessed 16 September 2015, <http://www.kazembassy.fi/en/press-information/press-releases/73-kazakh-leadership-in-osce,-oic-to-help-promote-east-west-dialogue.html>

¹²¹ Davinia Hoggarth, 'The rise of Islamic finance: post-colonial market-building in central Asia and Russia', *International Affairs*, vol.92, no.1, pp.115-136.

alternative organisations to NATO, and outside of Western influence.¹²² All these achievements add up to more than the sum of their parts and are suggestive of effective diplomacy implementing a coherent strategy.¹²³

Two more strands of national strategy, namely development and energy, have accentuated this grand narrative of Kazakhstan as the benign facilitator. The Kazakhstan 2050 vision lays out the leadership's strategy and goals for the next 35 years, with energy at the centre of the development scheme. The ultimate ambition is to catapult Kazakhstan into the top 30 economies through considered changes to economic, social and political structures. The chief aims of the package are described as follows;

- 'Preserving Independence and the development of Astana
- National unity, peace and accord in the society
- Secular society and high spirituality
- High economic growth achieved on the basis of industrialisation and innovation
- General Employment Society
- Unity of history, culture and the language
- National security and participation of our country in resolving global and regional problems'.¹²⁴

¹²² S. Aris, 'The Shanghai Cooperation Organisation: "Tackling the Three Evils". A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc?.' *Europe-Asia Studies*, Vol.61, No.3 (2009), pp.457-82.

¹²³ R. Allison, 'Virtual regionalism, regional structures and regime security in Central Asia,' *Central Asian Survey*, Vol.27, No.2 (2008), pp.185-202.

¹²⁴ Office of the President of the Republic of Kazakhstan, 'Kazakhstan 2050', Government of the Republic of Kazakhstan, accessed 12 May 2015, http://www.akorda.kz/en/page/page_poslanie-prezidenta-respubliki-kazakhstan-lidera-natsii-nursultana-nazarbaeva-narodu-kazakhstana-

Certain aspects of the project are more feasible than others; the top level visionary goals are vague and not well defined, perhaps even deliberately opaque, and are therefore difficult to assess or evaluate. Indeed, the same might even be said of some of the mid-level goals such as the aim to decentralise the government structure, and certainly the current authoritarian leadership structure would have few incentives to dismantle its powerbase. Conversely, the aim of increasing Kazakhstan's international profile has already been impressively materialised, most obviously through the aforementioned Iranian negotiations and chairing the myriad international organisations within the region. This has similarly been achieved through the continued work by the state on global nuclear non-proliferation.

This mercurial pattern of state behaviour continues within the all-important energy sector. Along with health care and education, energy and efficiency-savings make up the majority of the 'priority projects' in Kazakhstan 2050. The construction of a nuclear power plant, building an additional oil refinery, the creation of an ecologically focused transport sector and low rainfall crop creation are all set as goals for the state to be achieved within the next 20 years.¹²⁵ In 2013 the state-run Baiterek Fund pledged \$100 million towards reaching these renewable goals with the state pledging 1% of GDP to renewable energy.¹²⁶ Just one year later and President Nazarbayev announced 'I personally do not believe in alternative energy sources, such as wind and solar' and also explained that 'oil and gas is our main horse, and we should not be afraid that these are fossil fuels.'¹²⁷ These are strange words for the leader of a country preparing to host the next World Fair, Expo 2017, which is focused upon renewable energy.¹²⁸

¹²⁵ Office of the President of the Republic of Kazakhstan, 'Kazakhstan 2050', Government of the Republic of Kazakhstan, accessed 12 May 2015, http://www.akorda.kz/en/page/page_poslanie-prezidenta-respubliki-kazakhstan-lidera-natsii-nursultana-nazarbaeva-narodu-kazakhstana

¹²⁶ Interfax, 'Baiterek Holding Creates Investment Fund to Support Green Energy Projects', *Interfax*, 17 December 2013.

¹²⁷ Paolo Sorbello, 'Kazakhstan: Nazarbayev Signals U-Turn on Alternative Energy', *Eurasianet.Org* 17 October, 2014, accessed 16 September 2015, <http://www.eurasianet.org/node/70501>

¹²⁸ A. Mukasheva, Guldana Sharapatova, and Muslim Khassenov, 'Problems of Renewable Energy Sources Use in the Republic of Kazakhstan (within EXPO 2017)', *Global Journal on Advances Pure and Applied Sciences* Vol.1, No.2 (2013).

Whilst this fractious response could be dismissed as the whim of an authoritarian leader, the changing sentiment is also suggestive of a reaction to the changing regional geopolitics. The comments were made at a meeting with President Putin and reflect the Kremlin's attitude towards renewable energy and the official position on shale gas, but it also shows the nature of the relationship between the two states. Kazakhstan is under pressure from Russia here to demonstrate that it is not succumbing to 'Western values' and its attendant obsession with ethics. Here the broader ideas of grand strategy come into focus. Within the Russian vision of Eurasianism, there is no room for the supposed multi-vector foreign policy, there is only the growing expansion of a Russian-led regional alliance. When President Nazarbayev is with Western leaders in order to discuss renewables the rhetoric is substantially different; during a press conference with Prime Minister David Cameron there were warm invitations for British firms working in the field of renewable energy and green technologies to come to Kazakhstan.¹²⁹ It is autonomy and marginality, as opposed to peripheral status, that is being sought. It is this complex tangle of competing visions of Kazakhstan and its place in Eurasia that we will now turn.

Competing Eurasias

Eurasianism and its Origins

"Eurasianism" is an articulation of grand strategy for the political boundaries of the Eurasian landmass. Eurasianism seeks to equalise and draw together ethnicities and cultures whilst also promoting the centrality of a single nation over the collective group. It originates from the early days of classical understandings of geopolitics but has, with time, been adapted and

¹²⁹ David Cameron, 'Kazakhstan visit: Prime Minister's press conference with Nursultan Nazarbayev', Atyrau City, Kazakhstan, First published: 1 July 2013, accessed 18 September 2015, <https://www.gov.uk/government/speeches/kazakhstan-visit-prime-ministers-press-conference-with-nursultan-nazarbayev>

reformulated not just by Russia but also within the political imaginations of Turkey and Kazakhstan. Many iterations of the project have been proposed over the last two centuries which either support or deny marginality to the FSU incorporating a series of artificial connection between Central Asia, Russia, Mongolia, the Baltics states and Eastern Europe and sometimes including Turkey and/or China too. The proposition of Russia moving a wider public consciousness away from Europe and towards Asia began in the early 1900s in Russia, at a time when Japan was entering a period of strength and their ally, China, was in decline. Prominent academics of the age, such as Pytor Savitsky and Nikolai Trubetskoi, used political and linguistic discourse to try and dissuade Russia from succumbing to Western influence and instead to embrace a benevolent imperialism, similar to that espoused by Halford MacKinder. More recently, this combination of a classical geopolitics lens focusing upon direct control of other territories, together with more modern understandings of permeable space incorporating technological or socio-economic dimensions, has led to the creation of neo-Eurasianism.¹³⁰

Since 1991, Russia's relationship to the FSU has been articulated as part of a foreign policy agenda, albeit with a nationalistic orientation.¹³¹ At the same time as these more general narratives were being developed during the Yeltsin era, Natalia Morozova suggests three distinct brands of neo-Eurasianism/geopolitics were formed with differing implications for Kazakhstan's marginality; a traditional geopolitics which treats Eurasianism as a 'tool in the growing repertoire of possible means of territorial control', and a modernist geopolitics of Russia which splits to view Russia as either a 'Heartland' in charge of peripheral states or as a geopolitical 'Island' removed from its regional neighbours.¹³² Reflecting the time in which she was writing, 2009, Morozova suggests that under Putin, 'Eurasianism has turned into a

¹³⁰ David Kerr, 'The New Eurasianism: The Rise of Geopolitics in Russia's Foreign Policy', *Europe-Asia Studies* Vol. 47, No. 6 (1995), pp. 977-988.

¹³¹ See for example Karen Dawisha and Bruce Parrott, *Russia and the New States of Eurasia: The Politics of Upheaval*, (Cambridge: Cambridge University Press), pp.44-58; Neil McFarlane, 'Russia, the West and European Security',

¹³² Natalia Morozova, 'Geopolitics, Eurasianism and Russian Foreign Policy Under Putin', *Geopolitics*, 14:4, 2009, pp.676-683.

metaphorical dog that did not bark'.¹³³ In light of current events with Ukraine, dialogue with Kazakhstan and the rise of Eurasianism into the national discourse, we will see that this silence may no longer be present. Instead these forms of modernist geopolitics she highlighted are perhaps more pertinent now than Morozova anticipated.

The 'Heartland Russia' narrative is most associated with Alexander Dugin and encompasses a compassion narrative. Here Russia is presented as a unique civilisation; it alone is able to harness the powers of Christian Orthodoxy to create a 'Eurasian system of values'.¹³⁴ Kazakhstan and the FSU are peripheral, rather than marginal, and are subsumed within the Russian power-base. Dugin's obsession with 'Atlantacists v Eurasianists', we have seen neo-Eurasianism re-enter the public consciousness and the political discourse in Russia.¹³⁵ The current bout of Eurasianism has been the subject of much attention in the Western political press, with growing fears about a new sense of imperialism rising in Russia generated through the conflict in Ukraine, and indeed the earlier conflict in Georgia in 2008. Since the beginning of Putin's tenure at the Kremlin he has aligned foreign policy goals with domestic nationalist politics, prioritising the need to 'be more attentive, balanced and persistent in defending the interests of both its compatriots living in Russia and of those who chose CIS countries'.¹³⁶

Over the last few years we have seen Putin deploy a mixture of paranoia and patriotism in order to bolster his domestic power-base; but with the economic foundation of his own project crumbling, there are real uncertainties here for both Moscow and Astana. Putin has

¹³³ Ibid., pp.683.

¹³⁴ Ibid., 682

¹³⁵ Alexander Dugin, *Eurasian Mission: An Introduction to Neo-Eurasianism*, (London: Artkos Media, 2014). See also Alan Ingram, 'Aleksander Dugin: geo-politics and neo-fascism in post-Soviet Russia', *Political Geography* Vol.20, No.8 (2001), pp.1029-35.

¹³⁶ T. Bukkvoll, 'Putin's strategic partnership with the West: The domestic politics of Russian foreign policy,' *Comparative Strategy*, Vol.22, No.3 (2003), pp. 223-242. See also Igor Torbakov, *Russia in Search of New Paradigm: Eurasianism Revisited*, 23 March 2000, [available from] <http://www.eurasianet.org/departments/insight/articles/eav032400.shtml>

increasingly focused the Russian population on an agenda of resentment focused on the tragedy of Russia's reduced international status. His prescription has been a return to imperial ambition combined with a cultural rejection of the values of pluralist open societies, who in turn are openly encouraging regime change in Russia. Putin's shift from a somewhat improvised but nevertheless legal-rational administration to charismatic leader as a form of political authority in Russia presents the Central Asian states with alarming problems which are likely to get worse. As their economic entanglement with Russia weakens their own development, so they will become more vulnerable to coercion from Russia.¹³⁷

In the second of the modern geopolitical narratives that Morozova presents, 'Island Russia',¹³⁸ a more isolationist narrative that is unwittingly more closely aligned with Kazakh Eurasianism's vision of the role of Russia in the FSU. Vadim Tsimburskii is the leading figure of the movement, and he creates a vision of Russia as being a single ethno-civilisation that is protected from other civilisations by the Eastern European nations, Ural mountains and the Steppe.¹³⁹ This is a return to the idea of a Russia that exists in isolation, harking to an era before Peter the Great and his desire to create a 'Europeanised Russia' from St Petersburg. Rather than 'going out', this is a vision of Russia revelling in splendid isolation, with the FSU acting as a barrier to pernicious Europeanisation and preserving the integrity of the ethno-civilisation. This is a future-looking, ideologically-driven foreign policy that aligns more closely with the foreign policy strategy of the President Putin of today, but that also allows space for the autonomy and marginality of the FSU.

¹³⁷ Marlene Laruelle, *Russian Nationalism, Foreign Policy and Identity Debates in Putin's Russia: New Ideological Patterns After the Orange Revolution* (New York: Columbia University Press, 2014).

¹³⁸ Natalia Morozova, 'Geopolitics, Eurasianism', pp.680-681.

¹³⁹ Ibid., 680.

Neo-Eurasianism

Competing with this aggressive Russian Eurasianism are the neo-Eurasianisms. Independence from the Soviet state has allowed the reimagining of what it means to identify as 'Russian', and in doing so has created the space for the Turkic heritage of the many peoples and cultures that occupy the former-Soviet space, either from within Russia or in Central Asia. Whilst this creates an opportunity for the exploration of oft-repressed identities it also engages with competing understandings of what it means to be 'Russian' and therefore raises different understandings of what it means to be loyal to Russia. The rise of the aggressive Russian Eurasianism has (in its modern incarnation) has its roots in the reunification of territory, and yet the Russian Federation is home to many diverse ethnic, religious and cultural groups that envisage their own allegiances, not just the Slavic groups that were present in Rus. Russian Muslims are presumed natural allies and components of the Dugin-styled Russian ideology of its 'civilisation'. Because of this persistent presentation of the Slavic Orthodox population as the epicentre of culture and politics, separatist movements have continuously appeared to distort the united conceptualisation of 'Russia'. This has led to the creation of a Muslim orientated 'brand' of Eurasianism, intent upon redressing the balance between Muslim and Orthodox leadership within government, most prominently by Russian Muslim member of the Duma, Abdul-Vakhid Niazov, in 1998.¹⁴⁰

From here, the beginnings of discussion of Kazakh and Turkic Eurasianism start to emerge, with distinct lineages of thought. Both disrupt the Russian narrative and see alternative locus of power. Turkic Eurasianism shares a similar ideological background to the Russian variety; both were born of opposition to rising competing imperial visions in Europe at the turn of the last century, and as such are opposing as well as complimentary visions.¹⁴¹ As with Russian Eurasianism, the trajectory of the broader Eurasian project has been broken and reformulated

¹⁴⁰ Laruelle, *Russian Eurasianism: An Ideology of Empire*, pp.186-7.

¹⁴¹ *ibid.* p.188.

and redistributed through new mediums. Similar to the changing nature of the Great Game rhetoric, the term 'Eurasianism' has lost much of the cohesion and definable qualities. In Turkey, *Avrasyacılık*, as it is known, has been used to display a conception of the unification of states across the ethnically Turkic countries. In its different incarnations it has been based upon ethnic identity and at other times cultural or religious signifiers to produce Kemelism, Turkism, pan-Turkism and Turanism. Its revival in the 1990s has been attributed to either the result of the rise of political Islam and the multi-polarisation of global politics or the radicalisation of foreign policy.¹⁴² Ultimately it remains similar to Russian Eurasianism as both represent a post-imperial nation struggling to reconcile its identity with its past perceived glory and current apparently diminished present state.¹⁴³

Kazakh Eurasianism – 'Evolution not Revolution'

Weaving between these two strategic cultures rests Kazakhstan's own particular form of Eurasianism. Whereas Russia and Turkey pursue a realist zero-sum strategy, Kazakhstan's position within international relations is markedly different. Kazakhstan is seeking to become the catalyst and gatekeeper to a new prosperous Eurasian economic network, to create itself as an alternative center in the region, and stressing its autonomy/marginality. President Nazarbayev wants to be personally at the centre of a resurgent Kazakhstan, which in turn is leading the region into economic growth and development, with recognition from the international community. Simultaneously, this also incorporates a project to elevate Kazakhs statehood beyond a Russian-centric or Turkic-centric space, giving the Kazakh Eurasianism an anti-imperial message by emphasising the benefits for all concerned through mutual economic growth. And yet, there remain elements of cultural and ethnic supremacy that are found in the other imperial-styled Eurasianisms, and it retains some aspects of its Soviet

¹⁴² Emel Akçalı and Mehmet Perinçek, 'Kemalist Eurasianism: An Emerging Geopolitical Discourse in Turkey', *Geopolitics*, Vol.14, No.5 (2009), pp.550–569.

¹⁴³ M. Suslov, 'Geographical Metanarratives in Russia and the European East: Contemporary Pan-Slavism,' *Eurasian Geography and Economics*, Vol.53, No.5 (2012), pp.575-595.

legacy both in its theoretical underpinnings and its practical application. However, it wholly supports the centrality of Kazakhstan in deciding its own future and in this sense does not define itself by previous imperial understandings of Central Asia.

Kazakh Eurasianism can be understood in two ways. Firstly through the Russian Muslim Eurasianism that gained traction within Kazakhstan, supported by intellectuals, such as politician and activist Olzhas Suleimenov, and was supported on religious and cultural grounds.¹⁴⁴ This is still similar to the Russian Orthodox-led understanding of Eurasianism that positions itself as a way of creating a multi-polar world order, but unlike the Russian view, this would enable China and India to act as counter-weights to US power in the region.¹⁴⁵ Ultimately, the intention would be to generate an anti-Western agenda, retold through the narrative of Islamic unification based upon the large Muslim population of Russia.¹⁴⁶

The second (and more important) imagining of Kazakh Eurasianism is generated from within the country, and is espoused by the state and forms part of the narrative of public policy.¹⁴⁷ In this sense, Eurasianism has escaped its Russophile origins and now incorporates broad themes of regionalisation, helping to incorporate Kazakhstan into the wider geopolitical constructions outside itself as a former colony. By drawing these two powerful brands of Eurasianism, Kazakh Eurasianism is joining together two very powerful regional narratives.

¹⁴⁴ D. Shlapentokh, 'Islam and Orthodox Russia: From Eurasianism to Islamism', *Communist and post-Communist Studies*, Vol.41, No.1 (2008), pp.27-46.

¹⁴⁵ Shlapentokh, 'Islam and Orthodox Russia: From Eurasianism to Islamism', pp.29-42.

¹⁴⁶ E. Braginskaia, "'Domestication' or Representation? Russia and the Institutionalisation of Islam in Comparative Perspective,' *Europe-Asia Studies*, Vol.64, No.3 (2012), pp.597-620.

¹⁴⁷ There is a form of literary Kazakh Eurasianism that speaks to the political Eurasianism through its understanding of the relationship between the past and present identity structures, but is ultimately independent in practise. For a good example see the work of Olzhas Suleimenov such as *AZ i IA: Kniga blagonamerennogo chitatel* (The Book of the Well-Intentioned Reader) or a critique of his writing Harsha Ram, 'Imagining Eurasia: The Poetics and Ideology of Olzhas Suleimenov's Asia', *Slavic Review*, Vol.60, No.2 (2001), pp.289-311.

President Nazarbayev's vision is made more ephemeral by the myriad Eurasianist institutions that have been formulated, joined or encouraged at his behest. Some of these institutions are more credible than others and include but are not limited to; the Turkic Council; OSCE; Shanghai Cooperation Organization; Conference of Interaction and Confidence Building Measures in Asia; Organization of Islamic States; the Eurasian Economic Union; the Eurasian Union; Eurasian Development Bank; and the Eurasian Club of Scientists. When these sprawling activities are combined with the aforementioned 'cross roads of civilisation' nation-branding it becomes increasingly difficult to distinguish between object and audience. Who is this Eurasianism for and what is its focus?

In answer to this question, Marlène Laruelle suggests that 'Kazakh Eurasianism fits into the current post-Soviet fashion for nationalist historiography, and it seems incapable of proposing a different interpretation of colonial history, one that would be less centred on conflict and victimhood.'¹⁴⁸ Laruelle, writing in 2008, was basing this upon the claims in which the then current generation of Kazakh nationalist historians emphasised a connection to the 1500s in order to create a cultural lineage that would appease a modern nationalist rhetoric of the subjugation of the cultural rights of the Kazakh people to self-actualisation. What this means in practise is the creation of a narrative of a long resistance to Russian influence that goes beyond the 18th century, and instead is ultimately tied to a Siberian legacy. This has been incorporated into the political framework of the 2000s policy of the state. It is the unequal treatment of ethnic Russians within the cultural and political spheres of Kazakhstan that provide Laruelle's proof; the Assembly of Peoples is supposed to be comprised of the different ethnicities of the nation, but provides ethnic Russians with neither political parity to ethnic

¹⁴⁸ Laruelle, *Russian Eurasianism: An Ideology of Empire*, p.181. See also L. March, 'Nationalism for Export? The Domestic and Foreign-Policy Implications of the New "Russian Idea",' *Europe-Asia Studies*, Vol.64, No.3 (2012), pp.401-25.

Kazakhs nor recognises their status as a protected minority.¹⁴⁹ This has, Laurelle suggests, translated into an ambivalence on the part of the state towards Russians living in Kazakhstan.¹⁵⁰

Laurelle is right to engage with Kazakh Eurasianism as an attempt to legitimise Kazakh nationalism and a useful narrative for statehood. This call to previous centuries, however, appears to be as much about demonstrating that a concept of Kazakhstan existed prior to the Soviet era in an attempt to downplay or erase Russian influence as it is about a call to maintain victim status. This maybe a characteristic of the precise moment in which Laurelle writes that has since changed, as this repetition of the victim narrative is no longer such a central theme of the rhetoric of the state-led Eurasianism. Furthermore, Laurelle's view is more pessimistic than some of the more locally generated literature. Golam Mostafa speaks of Kazakh Eurasianism as designed to serve multiple goals,

*externally to improve relations with Russia and other regional countries based upon Eurasian solidarity, balancing relations with Asia and Europe by playing the role of the bridge... and claiming [to be a] bastion of peace, stability and neutrality, and domestically to create a successful multi-ethnic, multinational peaceful and harmonious nation with stability and harmony.*¹⁵¹

Although both writers are engaging with different aspects of the Eurasian project, Laurelle with the more conceptual aspects and Mostafa more with policy issues, they both acknowledge the

¹⁴⁹ Laruelle, *Russian Eurasianism: An Ideology of Empire*, p.180.

¹⁵⁰ *ibid.*, p.182. See also M. Laruelle, 'The Ideological Shift on the Russian Radical Right: From Demonizing the West to Fear of Migrants,' *Problems of Post-Communism*, Vol.57, No.6 (2010), pp.19-31.

¹⁵¹ Golam Mostafa, 'The concept of "Eurasia": Kazakhstan's Eurasian Policy and its implications', *Journal of Eurasian Studies*, Vol.4, No.1 (2013), p.166.

perils of presidential rhetoric. Mostafa also gives us a sense of how the Eurasianist vision is interpreted by local academics, and although it is an endorsement of the sentiments of the project, it does not mean an endorsement of the state. This is not to suggest that the Kazakh state is a liberal democracy, or that state rhetoric and action are matched, but instead that the framing of Kazakh Eurasianism borrows more from its Western contemporary politics than is acknowledged by the state. There is no historical imperial legacy, instead there is the narrative of the new and emerging state which is focused upon creating a narrative of autonomy, and in doing so relocates the boundaries of Russian influence in Kazakhstan. This is enacted to the extent that there is very little expression of the brutal repression experienced by the ethnic Kazakhs in Soviet-era history.¹⁵² This gruesome and threatening period of recent history is absorbed but not dwelt upon; there is no narrative of the oppressed, only of a future-focused 'rising star'.

Competing Eurasianisms

Although there remain strong elements of the Soviet-legacy in Kazakh state Eurasianism, it speaks of a European influence. Kazakhstan sits between not only three power states, but three revisionist power states, and even more startling, two of these states are increasingly nationalistic power states. Russia, China and Turkey are all increasingly agitating their neighbours as part of a rising nationalistic political rhetoric. Each of these three states has a foreign policy that is driven by rising nationalist domestic concerns; China is increasingly vocal in the Senkaku/Diaoyu debate,¹⁵³ Russia is active in Crimea, and Turkey's foreign relations are suffering under the increasingly erratic President Erdogan.¹⁵⁴ Despite these increasingly

¹⁵² For more information on the absorption of Kazakh historical legacy into modern narratives see Taras Kuzio, 'History, Memory and Nation Building in the post-Soviet Colonial Space', *Nationalities Papers*, Vol.30, No.2, 2002, pp.241-264.

¹⁵³ Min Gyo Koo, 'The Senkaku/Diaoyu dispute and Sino-Japanese political-economic relations: cold politics and hot economics?', *The Pacific Review*, Vol.22, No.2 (2009), pp.205-232.

¹⁵⁴ Walter Russell Mead, 'The Return of Geopolitics: The Revenge of the Revisionist Powers', *Foreign Affairs*, (May/June 2014), pp.69-79. See also C.A. Crocker, 'The Strategic Dilemma of a World Adrift', *Survival*, Vol.57, No.1 (2015), pp.7-30.

powerful nationalist agendas percolating through Central Asia, there remains a strong liberal narrative of mutual growth and positive externalities throughout the Kazakh Eurasianism.

The relationship between these states is also complex, but appears to be thawing. Russia and China have a tenuously positive relationship, hinging upon the improved energy agreements signed in the last two years.¹⁵⁵ Turkey has increasingly received support from Russia during the Medvedev era, and despite the continued recognition of the Armenian Genocide, this has progressed during Putin's second term. China and Turkey's relationship has been strained through the treatment and repression of Uygur in Xinjiang province, but is gradually improving, again, through economic interest. Where their interests do coincide is over American influence in the 'East' and general distaste for Western interest and interference in their domestic ambitions. Despite the weakened economic position of Russia, the 'Bear' has successfully frustrated Western efforts in Eastern Europe, China is dissatisfied with a secondary position in Asia since America's 'pivot to Asia', and Turkey is turning its back on its former EU dream and igniting old feuds with Egypt over the Muslim Brotherhood.¹⁵⁶

However, warming relations and a common enemy between three fractious power states does not necessarily translate into an alliance, nor into a good environment for the burgeoning vision of Kazakh Eurasianism. There is no basis for integration here between the states, no shared legacy, and nothing beyond economic interest to inspire group loyalty or cement economic cohesion. Across Asia (and indeed in much of Europe) we are seeing the rise of nationalism to support the solidification of regime figureheads and party interest. This creates a potential framework for cooperation but also for more of the zero-sum competition that is dominating

¹⁵⁵ Gregory Shtraks, 'Sino-Russian Relations and the Lessons of 1996 A watershed year for Russia', 13 April 2015 <http://thediplomat.com/2015/04/sino-russian-relations-and-the-lessons-of-1996/>

¹⁵⁶ Ziya Öniş, 'Turkey and the Arab revolutions: boundaries of regional power influence in a turbulent Middle East,' *Mediterranean Politics*, Vol.19, No.2 (2014), pp.203-19.

their domestically driven agendas; is there room for each power state to pursue its own narrative of Central Asia?

The simple answer is no; these are zero-sum assertions of regional control to present a unifying concept of Eurasianism. The three represent very different grand strategies each constructed around a distinct basis for legitimacy. As a driver, ethnicity is most prominent in the Turkic vision, for Russia an imperial-nationalist messianism is key and for Kazakhstan the emphasis is upon the elevation of its fledgling statehood and creating a regional leadership position. Russia is concerned with advancing its influence in the region through a claim to supremacy over the Kazakh state, and indeed Central Asia. As a result these dominant narratives present a threat to the Kazakh autonomous process and ultimately represent a return to colonialism through their projection of otherness onto Central Asia. Turkish Eurasianism has at times incorporated Central Asia into its vision for Central Asia and vice versa, such as through the creation of the Turkic Council by President Nazarbayev. On the other hand Russian Eurasianism is resisted.¹⁵⁷

This contrasts with the more companionable strategy ideals of Kazakhstan. Furthermore there are differences between the foundational necessity of each of these visions; each state has its own justification for a Eurasian project. As naïve and illogical and riddled with inconsistencies as some aspects of the Kazakh grand strategy are, it provides the most benign (if decidedly nationalistic) grand strategy for the region, and incorporates Western-centric schemes within a recognisably post-Soviet framework. It is a more positive and progressive vision of regional development in which the underachievement of the region is acknowledged

¹⁵⁷ Dmitry Shlapentokh, 'Turkey and Kyrgyzstan Deepen Ties'. *Central Asia-Caucasus Institute Analyst* (2012).

in what Nazarbayev terms the 'belt of anticipation' of states between India and Russia, always on the cusp of achieving economic security.¹⁵⁸

This pandering to supporting states generates a continuously oscillating relationship between religion and politics, Islam and Russia, society and the state. In the autumn of 2003, Nazarbayev presided over the "Convention of Worldwide and Traditional Religious Leaders" and announced a construction project called the "Palace of Nations". This remarkable-looking building contained a mosque, an orthodox church, a synagogue and a Buddhist temple and has now been designated the "Temple of Peace and Harmony". No-one could miss the overt symbol of commitment to religious diversity. By glossing over domestic strife, Kazakhstan has generated a first-mover advantage through its early adoption of a 'regional hub' strap-line, which could just as easily be afforded any of the other Central Asian states. The claim to be at the crossroads of continents, cultures and religions, dilutes the over-all image, making it a less easily identifiable target, but also permits Kazakhstan to retain the ability to align itself with religiously conflicting states. The 'Palace of Nations' therefore projects an image of religious tolerance – something Kazakhstan will need if it is to continue to project itself as the 'Crossroads of Civilisations'. In doing so, it not only advertises to the Ummah that Kazakhstan is no longer under Soviet-styled oppression of religion, but also to the West where religious tolerance is accorded the status of being a basic human right.¹⁵⁹

Religious, and especially Islamic, groups within Russia explicitly reject any association with the extremism and express loyalty to secular ideals, yet through their factional infighting and

¹⁵⁸ Golam Mostafa, 'The concept of "Eurasia": Kazakhstan's Eurasian Policy and its implications', *Journal of Eurasian Studies*, Vol.4, No.1 (2013), p.166. See also T. Ambrosio and William A. Lange, 'Mapping Kazakhstan's geopolitical code: an analysis of Nazarbayev's presidential addresses, 1997–2014', *Eurasian Geography and Economics*, Vol. 55, No.5 (2015), pp.537-55.

¹⁵⁹ Rico Isaacs, "'Papa"—Nursultan Nazarbayev and the Discourse of Charismatic Leadership and Nation-Building in Post-Soviet Kazakhstan,' *Studies in Ethnicity and Nationalism*, Vol.10, No.3 (2010), pp.435-452.

power-struggles they are unable to control the fringes of their congregation from agitating the state.¹⁶⁰ Sunni Islam, along with Protestantism and Catholicism, is seen as a naturally disruptive religion, able to be penetrated by Wahhabism and therefore a threat to the exercise of Russian Eurasianism.¹⁶¹ There is therefore, no space within the Russian framework for allegiance to any entity beyond 'Russia', and the growing alliance between Putin and the Russian Orthodox Church reflects this increasing use of the Church to justify statist policies and political authoritarianism.¹⁶² This again is a direct contradiction to the Kazakh position on the tolerance of promotion of religious difference. Furthermore, Pan-Turkism is another rejection of the unique religious and cultural identities within Eurasia; instead each is brought under the banner of being a Turkic people, rather than the multiculturalism that the Kazakh Eurasianism espouses, and the leadership requires/desires, in its bid to improve its young statehood.

This chapter began by analysing the unique operating environment of Kazakhstan. It has shown how the state has been ambitious in its goals for the development of Kazakhstan and the vitality of the oil industry to achieving its development projects. Kazakhstan has long seen itself as a 'benign facilitator', a leader for regional economic development and through its nation branding, a gateway between East and West. However, the competing Eurasianisms of Russia, Turkey and Kazakhstan exemplify the difficulty that the Kazakh state faces in trying to assert its ambitious plans for development. This represents a clash between its desire to be autonomous and marginal, whilst being presumed peripheral in the narratives of power states. The goals of preserving independence, economic prosperity and the security of Kazakh

¹⁶⁰ Laruelle, *Russian Eurasianism: An Ideology of Empire*, p.155.

¹⁶¹ Marlene Laruelle, 'Alexandre Dugin: A "Eurasianist" View on Chechnya and the North Caucasus', *North Caucasus Analysis*, Vol.8, No.6. See also M. Laruelle, 'The two faces of contemporary Eurasianism: an imperial version of Russian nationalism,' *Nationalities Papers*, Vol.32, No.1 (2004), pp.115-36.

¹⁶² See the following for different yet converging analysis of the role of the church in the rise of nationalism in Russia today: Sean Cannady and Paul Kubicek, 'Nationalism and Legitimation for Authoritarianism: A Comparison of Nicholas I and Vladimir Putin', *Journal of Eurasian Studies*, Vol.5, No.1 (2014), pp.1–9; Brian Rourke & Andrew Wiget, 'Pussy Riot, Putin and the Politics of Embodiment', *Cultural Studies*, (2014) DOI: 10.1080/09502386.2014.974644

culture articulated by the President's 'Kazakhstan 2050 plan' are under threat from power states' plans for the region. With this in mind, the chapter will now turn to the ways in which a state can use oil to bring about a foreign policy agenda, and the extent to which Kazakhstan has been able to achieve these goals. How does Kazakhstan manage its position with large powers, relative to other states in the same conundrum of unwanted interference?

Energy as Foreign Policy and Strategy in Kazakhstan

For Kazakhstan, energy policy is a means to achieving strategic goals for the state, autonomy/marginality, rather than an end goal in itself. Rather more energy is used as a tool with which to achieve foreign and domestic policy objectives, shaping the environment in which Kazakhstan finds itself operating and indeed there are many historical examples of the overt use of oil to secure strategic or foreign policy goals. Russia has frequently favoured Armenia, Belarus and (under President Kuchma) Ukraine, whilst Georgia, Moldova, and the Baltic States have been frequently targeted with supply disruptions and punitive price regimes. In the Middle East, during the Suez Crisis, Saudi Arabia withdrew oil from sale to Israel, France and Britain, similarly, oil was withdrawn from the Allies during the Six Days War to encourage the withdrawal of Israel, and again OPEC removed oil during the Yom Kippur War. In Latin America, Bolivia has refused to supply gas to Chile, and has wrangled over prices with Argentina and Brazil.¹⁶³

The strategic difference between these examples is generated through the composition of the commodities. Oil is relatively easy to distribute and redistribute when a supply state cuts the supply. In the Middle Eastern examples there was no shortage in supply to the demand

¹⁶³ Randall Newnham, 'Oil, carrots, and sticks: Russia's energy resources as a foreign policy tool', *Journal of Eurasian Studies*, Vol.2, No.2 (2011), pp.134–43. See also E. Kropatcheva, 'He who has the pipeline calls the tune? Russia's energy power against the background of the shale "revolutions"', *Energy Policy*, Vol.66, No.1 (2014), pp.1-10.

countries because they were able to select another supplier, and without globally uniform and enforced sanctions, as we have seen with states such as Iran, there are usually alternative suppliers. There are some small sticking points, such as the type of oil (sweet, sour, light etc) and the need to match this to a refinery, but these are relatively minor considerations. With gas, the situation is different. There is more pipeline and supply-line dependency, leaving the demand state more vulnerable to the policy of the supply state. Russia therefore has more strategic leverage as a gas exporter than as an oil exporter, and Kazakhstan's oil-centric energy industry is less able to wield its resources as a foreign policy tool.

Meghan O'Sullivan suggests that there are three factors that determine a state's ability to use oil as a foreign policy weapon. The first is the condition of the oil market, the second is the willingness of the producing state to actually reduce its production rather than reroute it, and the third is the level of risk that the producing state is willing to incur.¹⁶⁴ The current oil market is a buyer's market; low prices, high production costs, increased global supply and rising shareholder expectations are contributing to a considerably lower price per barrel than in the previous decade. OPEC, attentive to consumer requirements has sought to gradually increase production whilst simultaneously devaluing the price per barrel in order to stimulate demand, and commit to this package for the next few years.¹⁶⁵ For Kazakhstan with its high breakeven point on major fields, this is bad news. Its ability to build economic and political value through wealth is encroached upon, and this moves Kazakhstan into competition with regional and global states for consumer contracts.

¹⁶⁴ R.N. Haass and Meghan L. O'Sullivan, 'Terms of Engagement: Alternatives to Punitive Policies', *Survival*, Vol.42, No. 2 (2000), pp.113-35. See also Meghan L. O'Sullivan, 'Iran and the Great Sanctions Debate', *The Washington Quarterly*, Vol.33, No.4, (2010), pp.7-21.

¹⁶⁵ Organization of the Petroleum Exporting Countries, OPEC Monthly Oil Market Report, 16th April 2015 Vienna, accessed 18 September 2015, http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR_April_2015.pdf

Connected to this is O'Sullivan's second assertion on the willingness of a state to reduce its production to achieve a strategic goal. Domestically, this would be political suicide for the leadership of Kazakhstan in the face of an economic downturn based upon the state of the Russian rouble. It would also compromise the development goals that the state has publically declared. Kazakhstan has built up reserves (financial reserves) to stimulate the economy through sovereign wealth funds, but this is not enough for a long-term, trench warfare-type strategy. The privatisation within the sector makes this difficult to enforce without losing investment in the industry. Furthermore, it would be nigh on impossible to attract FDI from alternative, qualified oil partners in the current global market if there was also a decline in the condition of the rule of law. Whereas states such as Iran can exert considerable influence through their geographical location on strategic oil choke points, such as the Strait of Hormuz, Kazakhstan is hindered, not enabled, through its location. Instead, its inability to exercise control over its landlocked position, nestled within states such as Iran and Russia reduces its strategic choice.

Where Kazakhstan has shown itself to be more willing is in the third criteria; the strategic risks that it has been willing to take. The countries at the beginning of this section that were described as using oil as a foreign policy tool (the OPEC states, Russia and Bolivia) use their oil to achieve a positive outcome; conversely, Kazakhstan is using oil for to extricate itself from its given environment. These other states derive strength from their oil foreign policy through the *upstream* delivery of oil to the consumer, whilst Kazakhstan has to use the *downstream and midstream* sections of its industry. Kazakhstan cannot use the threat of reducing supply to the end user; this is an unacceptable outcome in the current climate and does not suit its strategic agenda. As we shall see from the proceeding chapters, Kazakhstan uses the midstream aspects of its industry to secure its foreign policy goals. By removing itself from the stranglehold of the Russian oil refinery network, it is still using the oil industry as its foreign policy tool, the focus is just not upon the liquid resource itself. As Chapter 4 will show,

Kazakhstan has pursued alternative supply routes to take Kazakh oil to market in the face of Russian aggression and opposition. As Chapter 5 will show, Kazakhstan has used its oil revenue as a way to build alliances with China in order to secure its national security and foreign policy objectives. There will be limitations to the willingness of China to take on this role, but the use of oil as a method of fortifying relationships has long been a strategy of the Cold War era, and the same actors are once again involved.

Conclusion

Central Asia is subject to many narratives that seek to define its purpose and position. For modern Russian political dialogue, Kazakhstan is either a buffer for Island Russia, part of the civilising mission of Dugin, or the natural extension of Putin's 'Power Vertical'. Turkish Eurasianism sees Kazakhstan as a younger sibling joined by a common but waning Turkic connection. Kazakhstan's President has created an alternative narrative of what he perceives as his country's position within international relations based upon the strength afforded by natural resources. Here Kazakhstan is the benign leader of regional affairs, a peaceful haven able to reach out to multiple nations, cultures and religions. In doing so there is an acknowledgement of Parker's principles of marginality, namely that the state has internalised this conception of autonomy and is seeking to act upon this in order to gain autonomous advantage. Kazakhstan's perceived power, its marginality, is drawn from its location on the edges of power states; a benign alternative center and a gatekeeper to other countries.

Strategically we can see oil as simultaneously providing a source of conflict, development, cooperation, vulnerability and strength. It has produced the framework within which Kazakhstan is able to drive economic development and assert independence, but yet, through the geopolitical context in which it finds itself there is great vulnerability through the aggressive, powerful neighbours. As a young state with ambitious plans, oil has enabled a determined

strategy to be enacted through the complicated and obtuse mechanisms of the Kazakh state. For the time being, rather than allowing its marginality on the edge of large powers to mean dependence, it has begun a process of disassociation. Although in its infancy, Kazakhstan is moving towards using its marginality as a tool for action and influence. It is Kazakhstan's conscious ownership of its position on the edges of the polarities that makes it able to utilise its position for influence; rather than this being a symptom of vulnerability. This position of strength and potential is generated through the national oil industry and forms the basis of understanding for its changing international relationships. But underneath this, the Manichean tactics of the state interrupt the implementation of strategy.

Kazakhstan has generated its own form of Eurasianism, at once accepting and subverting the idea from its original colonial context. It is an altogether more benign model of Eurasia, less interested in undermining other regional actors, but it ultimately remains a self-aggrandising project. In a certain light it can be viewed as a stronger form of Eurasianism than the Russian project. Where the Russian model is weakened by its forceful, hyper-masculinised, predatory approach, the Kazakh understanding of Eurasianism is more inclined towards positive inclusion of surrounding states. Carrot rather than stick.

This does not make 'Kazakh Eurasianism' a desirable or even achievable construct. Many states position themselves as the 'crossroads of civilisation'. Macedonia and Cyprus already have similar projects, and so to what extent is Kazakhstan's approach unique? Or indeed are any of the nation-branding exercises able to make a claim towards uniqueness? Nation-branding is a liberal project, born of the perceived need to communicate a vision to an international audience in the hope that it will improve the integration of the state into the international system. It is a performance by the state, not necessarily grounded in any particular reality, nor is there a 'true' vision of the nation to be uncovered. With so many states

competing to create artificial explanations to improve their status, Kazakhstan's message is in danger of being lost amongst a cacophony of voices.

Chapter 4

Kazakhstan: Oil and Governance

Kazakhstan is a small power that faces significant strategic challenges on its door step. Creating a unique identity as an independent country that is able to operate autonomously and influence its environment is indeed a challenge given the competing narratives for Eurasia that the previous chapter presented. To achieve this, Kazakhstan has, according to former Prime Minister, Imangali Tasmagambetov, moved from a 'strategy of survival to a strategy of prosperity', via a period of rapid privatisation and by riding the wave of an investment boom.¹⁶⁶ Today there are many strategic choices that are available to the state, and yet the myriad daily decisions taken to construct the reality of this prosperity narrative sit in the gap between action and rhetoric, restricted by the strategic choices of structures, actors and ideas contained within the microcosm of the political landscape. The Soviet legacy is still visible in the decision-making processes of government; high-level corruption and a revolving door of leadership between National Oil Company (NOC) and government positions compromising the search for an 'authentic' Kazakh state. This balancing act between state and industry, development and identity, is not unique to Kazakhstan, but its choices are. NOCs control ninety percent of the world's oil reserves and two thirds of world oil production. This mass nationalisation of the oil fields came about through the desire to not only unlock the profit of the oil fields for the host nation, but also to reveal the technological secrets of the processes, technology and personnel that were encased within the industry and yet each NOC operates entirely differently. Norway's Statoil and Russia's Gazprom are both highly profitable organisations but they fulfil entirely different functions within the industry and with their relationship to their home countries, crafted by entirely opposite strategic cultures at state and industry level. The political processes that led to their creation are evident in their modern functions; Statoil is overseen by multiple

¹⁶⁶ Imangali Tasmagambetov, 'Kazakhstan: From a Strategy of Survival to a Strategy of Prosperity', *American Foreign Policy Interests: The Journal of the National Committee on American Foreign Policy*, Vol.27, No.1, (2005) p.33.

committees and total separation between the regulator, the state and the firm, whilst Gazprom operates as a wing of the state in matters of domestic and foreign policy. KazMunaiGas (KMG), the Kazakh national oil firm is just as unique, shaped by the powerful geographical and cultural forces that led to its creation and it is through understanding these relationships that we can begin to understand the everyday mechanisms and moments of strategic culture that are meeting the ideational narratives of the leadership. This is as much driven by forces external to the government as it is to the individuals operating from within, and this chapter aims to identify these actors and events that are creating the current climate knowledge.

Building governance is more than merely creating structure. It is the fluid, dynamic processes and strategy that multiple actors engage with in order to steer, control and organise the practises of the state operating together.¹⁶⁷ Crucially there is not ideal or ultimate model of governance, no singular definition of 'good governance', and therefore, measuring the normative qualities of state governance is not a useful pursuit. More useful, is understanding the practical manifestations of marginality through the governance strategy of the state. How is marginality being achieved through strategic practises in Kazakhstan, and what role does governance play in the formation of positive marginality?

To answer these questions, this chapter examines the relationship between the state and the energy industry. Using a framework for understanding governance developed by Victor, Hults and Thurber, it creates a systematic analysis of the many relationships and audiences that are present in the Kazakh system of oil governance.¹⁶⁸ Using their method of analysis, we are able to identify key features of the Kazakh industry; historical legacy, government relationships, International Oil Company (IOC) contracts, strategy, and prospects for reform.

¹⁶⁷ J. Pierre and B. Peters, *Governance, Politics and the State* (Basingstoke: Macmillan, 2000), p.5.

¹⁶⁸ David Victor, David Hults & Mark Thurber, *Oil and Governance: State-owned Enterprises and the World Energy Supply* (Cambridge University Press, Cambridge, 2010).

The chapter focuses upon the internal dynamics and mechanics of the project for marginality rather than the wider geopolitical relationships which are addressed in the following chapters. This is a study of the development of the Kazakh industry in its own right, rather than being viewed through the lens of another state, and generates the basis for understanding how the Kazakh state has responded to and negotiated its relationships with power states and retained independent process.

The chapter begins by providing a brief overview of the industry to provide context, before explaining the strategy of the state oil company. The purpose of the chapter is to dissect and disentangle the web of relationships between the local population, the state oil company, the government and the International Oil Companies (IOCs). Doing so provides a complete picture of the governance style and features that are in place, but more than that it allows us to identify the practical steps that have been taken by the state to develop the industry. Who defines the objectives of the NOC, if indeed there are clearly defined objectives at all? Who are these goals attempting to satisfy; the domestic population or political elite? Finding answers to these questions creates a study of the Kazakh oil industry that is immediately applicable to wider research on the global oil and gas industry. The chapter will conclude by contrasting the results of the Victor, Hults and Thurber study on governance to contextualise these findings against the industry norms.

Introduction to Kazakh Energy Industry

Key features of the modern Kazakh industry are defined by its geography. As a littoral state on the Caspian, large portions of its 30 billion barrels of proven reserves are on disputed sea/lake that share borders with unstable states; namely Iran, Russia, Azerbaijan and

Turkmenistan. Its climate makes oil extraction exceedingly difficult through a combination of offshore rigs and extreme summer/winter temperature swings and regularly impacts upon production and development. Getting oil to market requires a combination of tankers, trains and pipelines from this central point on the Eurasian landmass to the consuming countries around the edge of the continent which further causes a bottleneck in export capability. Domestic consumption is high, around similar levels to that of Russia, but it is nowhere near the efficiency of western European countries, or the extreme inefficiency of China and Saudi Arabia.¹⁶⁹ The onshore fields Tengiz, Karachaganak, Aktobe, Mangistau, Uzen and off shore fields Kashagan and Kurmangazy generate the majority of Kazakhstan's oil, and is supplied to Italy, China, Netherlands, Austria and France as the main consumers of Kazakh oil. In this sense, geography is determining Kazakhstan's geopolitical tools rather than its strategy, technique or goals.

The Kazakh oil strategy has catapulted it into the top 12 oil producers in the world and as of 2011 it has tripled its exports compared to its Soviet-era production rates. This has not been achieved in isolation, and there are a great many international oil companies that have helped to develop the sector including KMG, Eni, ExxonMobil, Shell, and Total. When the 'supergiant' Kashagan field eventually reaches fruition, Kazakhstan will be in the top ten of world oil producers. The national oil company KazMunaiGas is an integral part of the industry and operates as an integrated oil company (meaning it has operations in exploration, development, refining, transportation, distribution and servicing through a series of subsidiary companies). KMG holds a 50% stake in all production-sharing agreements which are the favoured contract format of the Kazakh government. It has only been established a relatively short while, since

¹⁶⁹ For more information about comparative rates of consumption the US Energy Information Administration has a wealth of easily accessible data. See for example US Energy Information Administration, 'International Energy Outlook 2014', (Washington DC: US Department of Energy, 2014).

a 2002 merger between Kazakhoil and Oil and Gas Transportation, and according to Transparency International's report on the national oil companies, it is making progress towards international standards even if there is still considerable work left to achieve.¹⁷⁰ It publishes comprehensive audited reports, which includes its subsidiary companies, and in theory reports on revenue generation and collection as well as the full disclosure of the management financial interests in the oil and gas industry. However, this does not translate into full disclosure of transparent communication between the state and the public and has provoked fatal riots between KMG management and communities in West Kazakhstan.

Development of the Industry

1991- Corporatism

With its first commercial production occurring in 1911, Kazakhstan has a long if not always profitable place in the history of world petroleum. Production began in the Soviet era, when the Republic of Kazakhstan was the Kazakh SSR, but inefficient production methods and low oil prices meant that it was very underdeveloped compared to the Urals-Volga region until the 1990s. Its potential was known, but development was always seen as a future project. When independence arrived overnight in 1991, and Kazakhstan became the republic it is today, the state did not expect to be in charge of its own industry and did not have sufficient funds to

¹⁷⁰ Relative to other states in the region and more established and developed countries, Kazakhstan has made more efforts towards transparency although the industry can still be considered corrupt. Kazakhstan scored 13% for reporting on anti-corruption programmes (industry average 43%). This is based upon the reporting of Kazakhstan on the anti-corruption programme UN Global Compact Reporting Guidance on the 10th Principle Against Corruption. KazMunayGas scored 75% for organisational disclosure (industry average 63%). Organisational disclosure means reporting the organisational structure, operations, partnerships and standards used for financial accounts. This can be explained by the higher levels of accounting required in order to participate on the LSE by KMG and its subsidiaries. Kazakhstan does not feature at all for country level disclosure because it does not have sufficient overseas operations to be included in this section of analysis. For the full report see Revenue Watch & Transparency International, 'Promoting Revenue Transparency; 2011 Report on Oil and Gas Companies', *Transparency International Secretariat*, Berlin, 2010.

develop the industry which was so essential to the country's growth. As a result there was confusion in these early years.

The first NOC was Kazakhstanmunaigaz, based upon Rosneft, and was plagued by struggles within the government ministries. President Nazarbayev responded by disbanding the Soviet era Ministry of Energy and ensuring that Kazakhstanmunaigaz would not be subordinated to a ministry again, creating a centralised decision-making process, but failing to prevent further political struggles for control.¹⁷¹ This consolidation of power was as much about the continuation of the president as it was about the continuation of the industry. Wojciech Ostrowski proposed that the early history of the Kazakh oil industry could be divided into three distinct phases; Corporatism, Privatisation, and Post-Privatisation.

The early years, 1991-1994 are characterised by a phase of 'corporatism'.¹⁷² This refers to the series of formal networks of interested parties which allowed power structures to be generated from below. The early Kazakh oil men benefited from the lack of a legal framework between public and private ventures. This ill-defined mixture resulted in key positions in the industry being allocated to formal institutions in the industry on the basis of personal relationships, using them as intermediaries between the central power structures and the branches of the industry. This was particularly apparent in the early Tengiz projects, when those who were not involved in this project began to challenge the authority of the state, and take part in the battle for control of KMG.¹⁷³ The partial privatisation via the local elites only served to create opportunities for politically interested groups to become powerful and challenge the presidency, and ultimately the stability of the industry, resulting in Nazarbayev's decision to

¹⁷¹ Wojciech Ostrowski, *Politics and Oil in Kazakhstan* (London: Routledge, 2010).

¹⁷² *ibid.*, pp.32-42

¹⁷³ *ibid.*, pp.33-34

temporarily abandon this wave of privatisation in favour of a series of client-patron relationships.

Creating a national oil company is not the only way to manage a national oil and gas industry, so why should Kazakhstan choose this model in the post-privatisation years? Nolan & Thurber effectively demonstrate the role of risk in the decision of the state to determine the role of the IOC and the NOC in development of an oil industry.¹⁷⁴ As discussed in the literature review the decision to seek partnerships with IOCs is often the result of a risk assessment to ascertain the level of exposure that the state is comfortable with. In the case of Kazakhstan, it was near bankruptcy on the part of the Kazakh state that prompted the movement to create partnerships with IOCs, and IOCs prefer the local knowledge provided by an NOC where applicable. There were other models that the Kazakh state could have pursued. It need not have opted to create its own national oil company and instead have developed a regulatory industry, made slow and deliberate tenders to increase or decrease exploration, enforced local content quotas and created a consortium of IOCs with strict production quotas. The UK government, for example, has little connection to British Petroleum but it does retain a tight regulatory role over the production of North Sea Oil. In the early days of a new state such as Kazakhstan, weak, powerless and easily bullied, the terms of trade are difficult to negotiate in the states favour.¹⁷⁵

¹⁷⁴ Peter Nolan and Mark Thurber, 'On the State's Choice of Oil Company: Risk Management and the Frontier of the Petroleum Industry', 10 December 2010, Program in Energy and Sustainable Development, Stanford University.

¹⁷⁵ The one key advantage that the NOC model has over the regulation model is in the long term benefits. Once the NOC has learnt from the IOCs it has partnered in the development of the local industry it can begin to apply this knowledge to overseas production, and increase its revenue beyond its own reserves. Kazakhstan production requires a very complex extraction process that few companies in the world had the capability and R & D budget to develop, will soon be able to cast its eyes around the world as a developing partner in other projects. And, as the new projects are increasingly hostile conditions, frontier exploration in offshore and arctic locations, so technological capability will increasingly be what secures project contracts. Kazakhstan is not yet in a position to 'go out' as it does not yet have the requisite competencies or competitive edge in the market, but with political will this is an opportunity for the future.

1994 – Privatisation

In order to compete with Azerbaijan and undo the power of the local elites, Nazarbayev began a program of privatisation in 1994. As Martha Brill Olcott notes, the presidential elections were looming and the president's popularity was beginning to wane as those who has not benefitted from the privatisation sought to gain advantage.¹⁷⁶ In order to rectify this Nazarbayev appointed his family members to key positions and in a less than transparent set of moves, allocated key figures to industry positions, essentially as clients of the president. A new Prime Minister, Kazhegeldin, oversaw the transition and a new generation of young technocrats was ushered in, above the positions occupied by the old generation of oil men who were openly criticising the president. Local *akims* and intermediaries were used to keep an eye on these 'oil men' and were kept wealthy, but away from the seat of power.¹⁷⁷ Foreign investors at this time were weary. The president was able to change the constitution and issue decrees at the drop of a hat and there was no rule of law with which to stabilise their investments, making some of the president's more strident contractual demands unrealistic.

2000s Post- privatisation

From 1997 onwards there marked a new period in the industry – the end of privatisation. No new contracts were allowed to be signed as Nazarbayev declared it was time to think about the third generation of Kazakhs and make sure there was something left for them. In 2002 KMG was established in order to create a unified state policy and a single authority with which to present to foreign companies as a partner on the Caspian shelf. This would allow KMG to take the lead on projects, and create a more authoritative bargaining power in negotiations. Once again, all the leading figures were close to Nazarbayev. Assets that had once been owned by international companies were slowly bought by local elites. For example Nelson

¹⁷⁶ Marthe Brill Olcott, 'Central Asia's Second Chance', p.138.

¹⁷⁷ Wojciech Ostrowski, 'Politics and Oil in Kazakhstan', p.52.

Resources once owned a northern Mangistau field and began buying up assets across the region. It was later revealed that the leadership figure of this company was Timur Kulibayev, a local elite with close family ties to the president.¹⁷⁸ The extent to which this process occurred across the region is made harder to understand because of the myriad off-shore holdings.

2010s – Redefinition

This next phase has been characterised by renegotiation and redefining the role and contracts of the foreign IOCs, the modernization of the industry and the wave of participation by Chinese firms. A more robust policy with the international firms has begun to shape the industry and the government has not been shy to push the role of KMG to the front of negotiations, whether that's insisting upon the majority shares in new projects, or the first refusal of KMG to purchase any new holdings that become available. China has had an enormous impact upon the Kazakh market both as a market for Kazakh oil through the opening of new pipelines, or as a large partner in the Kashagan field, and also through the billions of dollars for infrastructure that accompany each move by CNPC into the Kazakh market. It has also been a time in which the IOCs have come under increasing scrutiny by the state as ENI discovered when it was removed from the leading partner position at the wealthy Kashagan plant because of a poor record on deliverables.

Explaining KMGs Strategy and Performance

As it stands today, JSC NC KazMunayGas is a large fully integrated oil company that has subsidiaries operating in all stages of the industry. All shares of the JSC NC KazMunayGas

¹⁷⁸ Wojciech Ostrowski, 'Politics and Oil in Kazakhstan', p. 58.

belong to JSC National Welfare Fund Samruk-Kazyna. A board of directors and a management board flow to 36 subsidiary companies that are operating underneath six core areas, each with its own management team –Exploration and Production, Transportation of Oil, Gas Project, Processing and Marketing of Oil, and Service Projects. This corporate structure was implemented following the merging of Kazakhoil and Transport of Oil and Gas. The aim was to create a vertically integrated oil company that would eventually become a transnational company, or an INOC, similar to other NOCs today such as CNPC or Statoil. The recentralisation of the oil companies was designed to consolidate the structures within control of the government once more, bringing the oil industry back under command of the state and as a result, the president. Currently, there are a series of shareholder arrangements between the companies that keeps each segment fully integrated but there is the potential that when a new president eventually succeeds Nazarbayev, they could separate out these firms, dramatically altering the structure of the industry.¹⁷⁹ This current structure also allows the management of the parent company, NC KMG to exercise control over the members of each board, giving final say on hiring, strategy etc. In turn, as we shall see below the close connection between the board members of the parent NC KMG and the government leaves KMG as a whole vulnerable to government coercion and the pursuit of commercially conflicting agendas.

The long-term strategy of KMG is (as would be expected) intimately connected with the government's wider development projects of the industry. The core strategy of KMG Transportation is to become the sole operator in Kazakhstan and expand capacity. Currently, there are two completely separate gas networks operating across Kazakhstan.¹⁸⁰ Crucially this creates a problem getting locally produced gas from the Western region to the Southern

¹⁷⁹ Martha Brill Olcott, 'KazMunaiGas: Kazakhstan's National Oil Company', *Carnegie Foundation*, Rice University, 2007.

¹⁸⁰ KazMunayGas, 'Company Strategy', *KazMunayGas*, 2014, accessed 16 September 2015, <http://www.kmg.kz/en/about/strategy/>

Almaty to Shymkent industrial powerhouse of the country. Not only is this politically undesirable from the perspective of the president, but it means that Kazakhstan has to rely upon imported gas from Uzbekistan. The Beiney-Bozoi-Akbulak pipeline will go some way to rectifying this as a long term plan as well as supplying China, but full reconnection of the country is not an immediately financially viable project. Low domestic prices in the oil market have perpetuated a similar problem in the refining sector. It is simply more profitable to export the oil for refining than it has been to develop the refinery capacity at home. However the development of Kashagan field, has forced some aspects of this to change and as such there is currently an ambitious schedule of refurbishment and development of the refineries, led by KMG. This is a significant achievement for the development of the the industry but not enough to rectify the problem completely. Reducing oil pipeline dependence upon Russia is a geopolitical goal that has become manifest within the KMG group and once again only possible through changes in the refinery and pipeline stages of oil and gas delivery.

The upstream strategy of KMG is simply to expand in all directions. As a bold ambition, the company has set itself the ultimate goal of becoming one of the thirty largest oil and gas companies in the world. KMG want to expand its production both through increasing its current market share through the accumulation of shares in existing projects and through exploration of new ventures. Exploration of new fields in the Caspian (the pre-Caspian Depression, the Caspian Sea Shelf and the Aral Sea Shelf as well as smaller areas in North, Central and South Kazakhstan) will still require input from foreign firms for reasons of technical capability. The low hanging fruit in Kazakhstan have all been taken or are in the process of being developed. As a result these new fields available for development are exceptionally complex. There is abnormal pressure in the reservoirs and it requires wells of seven thousand metres, which

have a prohibitively expensive estimate price of approximately \$50million per well.¹⁸¹ At the moment KMG does not have the technology or financial capacity to construct this project alone, or even as a controlling partner.

Internationally, the rebranding of the small Rompetrol Holding as KMG International is part of the wider project to eventually expand overseas, and this is the first move towards achieving a more unified and recognisable brand outside of Kazakhstan. At present, a quarter of all oil refined in Romania is from Kazakhstan, and it is expected within the industry that this will be the beginning of a transition towards becoming a minor INOC, although this may take some considerable time considering the capacity restriction of the firm. Domestically the refinery system needs extensive work. Currently much of the raw crude has been shipped to Russia in order to be refined, increasing reliance upon its unstable northern neighbour, as well as removing the flow of profit from Kazakhstan. After significant negotiation with Russia (see chapter 6) there has been significant development of these refineries and this remains a core part of the Kazakh energy strategy.

To achieve all of these goals KMG is part of a government funded strategy to develop the industry and surrounding infrastructure. The project is worth \$143.4 billion, of which KMG's share is \$67 billion.¹⁸² A core part of this development will be the \$6 billion to be spent on the refineries. The financing for this project will be from bank loans and the issuing of Eurobonds of which KMG has currently issued \$7.25 billion. In order to meet these targets KMG will need to overcome some major hurdles. Primarily, there will be issues with funding these deals. The

¹⁸¹ Dosym Satpaev, 'The Main Problems and Opportunities of KazMunayGas in its Realization of its Oil and Gas Projects Wikileaks', *WikiLeaks*, 2010, accessed 16 September, https://wikileaks.org/gifiles/docs/55/5514684_-fwd-re-hello-dosym-.html

¹⁸² KazMunayGas, 'KazMunayGas (KMG) Is The Vehicle For Kazakh Government Policy In The Oil And Gas Industry', 1 October 2013, accessed 12 September 2015, http://www.kmg.kz/en/press/company_news/publication/10557#.VEZ4h_I4o7t

majority of KMGs profits have been generated through KMG Exploration and Production but this will not be enough to secure the capital for the project. Large contracts with the Chinese government are being used in the development of infrastructure but in particular it is the \$5-6 billion estimate for the development of the Kazakhstan Caspian System of transportation that is particularly pressing.¹⁸³ Furthermore, this expansion package of KMGs production and ownership as well as overseas expansion is hindered by the lack of personnel qualified to carry this out. From the oil rig workers to the top management, there is a dearth of plausible local personnel. This sits in direct conflict with the President's decrees on the number of locals that must be employed by the state company. On a similar vein, there is a lack of equipment. Although the industry has been completely modernized since the Soviet era, aspects of planning remain, and a lot of equipment owned by KMG is not up to the international standards.

Government Command Structure

The government structure in Kazakhstan is part of an all too familiar sight across Central Asia. It is divided into a Senate and Majilis (lower house), with an executive branch controlled by the dominant President Nazarbayev. The strong man presidency is supported by his party, Nur-Otan, in the legislature which is voted into power in quasi elections. Opposition is not tolerated and its members have at times been murdered or simply disappeared. But, for all the strength of the presidency, it is unwise to discredit the lower house altogether. As Anthony Clive Bowyer notes, the parliament is filled with educated men and women (10%) who are there representing their localities, forming a powerful lobbying asset on behalf of their 'constituents'.¹⁸⁴ The political environment maybe dominated, but it is by no means dormant.

¹⁸³ ¹⁸³Dosym Satpaev, 'The Main Problems and Opportunities of KazMunaiGas in its Realization of its Oil and Gas Projects Wikileaks', *WikiLeaks*, 2010, accessed 16 September 2015, https://wikileaks.org/gifiles/docs/55/5514684_-fwd-re-hello-dosym-.html

¹⁸⁴ Anthony Clive Bowyer, *Parliament and Political Parties in Kazakhstan* (Washington D.C: Johns Hopkins University, 2008).

The government has control over KMG and the domestic industry in three key ways. The first way in which the state has control is through the aforementioned Samruk national fund. The fund does not have direct say in the operations of KMG but it does manage the shareholdings and uses its powers to vote on the government's behalf in key decisions. The chairman of the fund, Richard Evans, is also the former BAE chairman which owns a large stake in the local airline, Air Astana, along with Former Minister of Trade and Industry Suat Minbayev, an ally of the President, and Timur Kulibayev, the President's son-in-law.¹⁸⁵ As we shall see below, these appointments are part of a revolving door of people who have held offices close to the president and allow him to retain close control over the decisions. The second method of control is through the revolving door of management figures within the upper tiers of management at KMG and associated industry positions. The third way is through the types of contracts and legislation used in the industry. These last two forms of control, personnel and legislation/contracts is where this analysis will now turn.

Relationship between KMG and the Kazakh government

The link between KMG and the state is extremely close, and as we shall see forms a revolving door between the president, his supporters and KMG. It is also essential to realise at this point how closely entwined the fortunes of energy sector are with the public's compliance of Nazarbayev's presidency. As the history above has noted, there have been major changes to the industry, and these can be subject to change with very little public discussion. Public political participation is low, but there are signs of unrest whenever there are severe changes to the economic environment and small protests occur. Keeping the economy well balanced

¹⁸⁵ Martha Brill Olcott, 'KazMunaiGas: Kazakhstan's National Oil Company', *Carnegie Foundation*, Rice University, 2007.

and the quality of life improving is imperative to the ability of the President to ensure his authoritarian leadership continues and remains undisturbed by the international community. There is also intense speculation as to the source of the President's incredible personal wealth which is widely speculated to have been contributed to by the oil industry, both from domestic and international firms.¹⁸⁶ Therefore, there are two key aspects of government to consider in understanding the energy industry. First the formal institutions and bureaucracy of the government and then secondly the patrilineal network that forms the true decision making force behind the government, directly controlled and answerable to the president.

The key formal institutions are the main executive body, the Ministry of Oil and Gas, which oversees all aspects of the industry from production to transportation. They work alongside the Ministry of Economic Development and Trade which drives economic development, works to secure international interests, sustainable development and the promotion of local business. Health and safety issues are dealt with by the Ministry of Emergency Situations. It is also worth noting what is not present; there is very little mentioned here in terms of a connection to civil society and there is no formal route by which issues can be brought to the industry for the local population. Assets from the oil industry are not controlled by the state directly, but are held in the Sovereign Wealth Fund Samruk-Kazyna holding company that manages state assets. This was formed off the back of a presidential decree, a form in which most large changes to policy are often announced, from which Kaznya Sustainable Development Fund and Kazakhstan Holding for Management of the State Assets Samruk were created. As well as holding assets in the oil industry, this merged holding company now has assets from all state firms across all extractive industries (uranium, coal, rare earth minerals). This is in conjunction with the National Fund of the Republic of Kazakhstan which holds the majority of oil profits. Its goals are more long term in focus – to try to reduce

¹⁸⁶ Ron Stodghill, 'Oil, Cash and Corruption', *New York Times*, 6 November 2006, accessed 16 September, http://www.nytimes.com/2006/11/05/business/yourmoney/05giffen.html?pagewanted=all&_r=0

dependency upon oil, storing resources for future use, decreasing the impact of market price fluctuations on the Kazakh economy.

The lower house, the Majilis, makes its presence known to KMG through 'environmental issues'. This is not an uncommon tactic, the Russian use of environmental concerns as tactic is notorious, but it is a route normally taken by governments to force IOCs, but instead the Kazakh government has used the tactic with its own NOC. When the environmental issues are raised against the IOCs it is with the purpose, very often, of gaining ground in contract negotiations or indirectly for raising revenue. When these same allegations are levelled at KMG Exploration and Production, the ultimate goal is not to raise fines, but to gain ground for local concerns. This is not to suggest that there is no legitimate environmental concerns, there are, but instead it is always worth considering that the timing or decision to pressure KMG can often have wider political ramifications.¹⁸⁷

The second key factor beyond the institutions is the patrilineal network that persists in Kazakhstan and the elite groups that control the industry behind closed doors. This is not a conspiracy theory of elites, but a group of majority males who have controlling shares in many different government as well as industry positions, have generated great wealth and have achieved their positions through family or systems using connections rather than on merit. Each party is jostling for the attention and forming groups under the leadership. President Nazarabyev's personal grip on power is very strong through these informal networks, whilst

¹⁸⁷ KMG EP has fought against fines very recently see Paddy Harris, 'KazMunaiGas Avoids Heavy Environmental Fine, Oil and Gas Technology Journal', 2014, accessed 16 September 2015, <http://www.oilandgastechology.net/health-safety-environment-news/kazmunaigas-avoids-heavy-environmental-fine>

For some of the most recent environmental damage issues see; Friends of the Earth, 'NGOs Express Grave Concerns About Environmental, Health And Social Impacts Of The Kashagan Oil Field Development', *Friends of the Earth*, 2014, accessed 16 September 2015, https://www.foeeurope.org/press/2007/Sept13_DU_Kashagan.htm

the official power of the office of the presidency is less. Partly what helps to hold the power with the president is his refusal to acknowledge the question of a successor. This both prevents power-plays derailing the president from these groups and it creates a useful rivalry between groups whilst also creating market uncertainty. It is important to understand this because the state's decisions on the future of the industry are at times being based upon the president's needs to balance these different groups. Since the 1990s there has been a lack of public mobilisation and stalled democratic dialogue has facilitated the ability of the president to make personnel appointments as he chooses, and therefore, indirectly he is choosing policy. The groups are fluid, and rumours abound.

President Nazarbayev has acknowledged the flaws in the organisational structure of the state oil firm himself, and perhaps more importantly, he did so publicly in an interview with the *Kazakhstanskaya Pravda* newspaper (December 25 2009). During the interview he criticized the top management of KMG and its subsidiary organisations stating that "It is proven that the existing management system is inefficient". Continuing, the President said that "KazMunaiGaz has a four-level management system, and KazMunaiGas Exploration and Production (KMG EP) has a five-level management system. In both companies, the number of support departments and services is higher than that of the number of production units".

As a result of this, an inquiry was instigated to address the management practices of KMG. The results showed that the companies did not comply with employment regulations; 40% of KMG senior managers did not have the education or work experience in their job descriptions, managers in the similar roles were supervising between four and thirty employees, and the salaries of senior management was "unreasonably high". As per the requests of the President, management were checked for nepotism. The results of the report showed that it was common place within the organisation, with 7.5% of KMG being relatives of government officials, 17 of

which who were related to the heads of government agencies, 8 to members of parliament, 9 to directors of the KMG and its subsidiaries, and 7 to former heads of government agencies. This report was only concerned in direct familial relations and did not begin to cover those with clan or close family relationships. As a result, Aslan Musin, then Head of the Presidential Administration was instructed to ensure the recommendations of the report were acted upon.¹⁸⁸

The Power Groups

There are four factions of elites jostling for power beneath the presidency.¹⁸⁹ To return briefly to Bloomfield, it is here that we can start to see the competing sub groups that affect the strategic culture of the political environment. We can see the network of individuals who have access and influence within the political elite and energy industry, by 'charting their groups' we can see changing presidential influences over time. These can be divided into four groups; Kulibayev's Group; Musin's Group; Conservatives Group; Southerners Group. Kulibayev's group is headed by Nazarbayev's son-in-law, Timur Kulibayev (late 40s) who works primarily in the oil and gas sector, and despite protests that he wants to focus purely upon business, he has regularly been touted as a successor to the President. Within his group is the Prime Minister Karim Masimov (late 40s), who is a valued ally to the president.¹⁹⁰ A fluent Mandarin speaker he was integral in securing relations with China. Through his work on the customs union with Russia, he has strong alliances with both Russia and China, making him a crucial

¹⁸⁸ US Embassy, Astana, 'Wikileaks Kazakhstan: The Big Three IOCs', *WikiLeaks*, 15 January 2010, accessed 18 September 2015, https://wikileaks.org/plusd/cables/10ASTANA41_a.html

¹⁸⁹ The analysis that follows is based upon interviews with public and government affairs representatives from different oil companies and is accurate as of 2012 and from the following source acquired during an interview PFC Energy Solutions, 'Russia and Caspian Service; Kazakhstan Elite Groups', (PFC Energy, Huston, 2012).

¹⁹⁰ According to WikiLeaks cables, Karim Masimov is a 'tireless nightclub dancer'. US Embassy, Astana, 'Lifestyles Of The Kazazhstani Leadership', *WikiLeaks*, Thursday, 17 April 2008, accessed 16 September 2015, <https://wikileaks.kz.wordpress.com/2008/04/17/08astana760-lifestyles-of-the-kazazhstani-leadership/>.

link in geopolitical relations. Grigory Marchenko, heads the central bank, and his role is more as a technocrat than as a political figure, but remains influential in matters of the economy.¹⁹¹

The second group is headed by Aslan Musin. As the president's Chief of Staff and head of the Presidential administration he is a formidable politician and a close personal friend of the President's. Through his work in the oil rich regions of Atyrau and Aktobe he has developed close friendships with people in industry and suppressed political opposition movements. With a nod to his outlook, he was the Head of Ideology during the Soviet era. His two key allies are Baurzhan Mukhamedzhanov the akim of the Mangistau region, who has held various Ministry of Justice positions and been second in command to Musin himself, and Amangeldy Shabdarbayev a powerful figure from the security side of government having held positions as Presidential Guard Commander and head of the National Security Committee.¹⁹² Musin has been consolidating power through key appointments to prominent positions around him, helping to secure his own position, covering much of the justice and security factions of the government.

The third group is referred to as the Conservatives. This group is the key foundational support group for the president and his continued position and longevity are directly in their best interest. High up in this group is Nurtay Abykaev. He is a personal friend of the president but

¹⁹¹ Also in this group is Nurlan Balgimbayev, (mid 60s), is a former architect of Kazakh energy industry. He has since been in lower positions, possibly as a result of his daughters marriage to an opposition figure. Other powerful members of the group include Sauat Mynbayev, former deputy prime minister, current head of the ministry of oil and gas; Aset Magauov former deputy minister of oil and gas, CEO of Mangistaumunaigaz; Bolat Achulakov the Deputy Oil and Gas minister who was replaced as the CEO of KMG following the Zhanozen massacre; Askar Balhzhhanov the CEO of KMG who was also replaced during the massacre Askar Balhzhhanov; and finally Talgat Kulibayev who is his brother and a member of the security services and head of the internal affairs Ministry Academy.

¹⁹² Also within this group are Kalmukhanbet Kasymov who headed the taskforce that saw off Rakhat Alieyev who was launching an opposition bid and was later exiled, and managed to avoid being sacked following the Zhanaozen massacre; Askhat Daulbayev, the Prosecutor General ; Serik Baymaganbetovis head of the cusotms committee a lucrativ post with plenty opportunity for bribery and corruption; Lyazzat Kiinov who was put into position of CEO of KMG NC by Musin himself.

has been knee-deep in various scandals which have led to his demotion at different point. These incidences include the failure of Abykaev to call off his staffer Yerzhan Utembayev from the assassination of opposition leader Yerzhan Utembayev in 2006, as well as the selling of MIG fighters to North Korea in 1999.¹⁹³ He is currently Ambassador to Moscow. Imangali Tasmagambetov has held a range of positions including the Prime Minister, head of the Presidential Administration and State Secretary and is now a powerful and well liked politician in Astana.¹⁹⁴ Once the President eventually dies, this group will have to seek new patronage and therefore are only stable in the short term creating serious concern for the culture strategy choices of the leadership.

The fourth and final group is the Southerners Group headed by Kanat Saudebayev. A personal friend of the president for more than 40 years, he is the Minister of State and Foreign Minister. He was successful in his involvement with Kazakhstan's OSCE chairmanship and the holding of nuclear peace talks with Iran. He has been central to the President retaining power after the dissolution of the Soviet Union which may explain why he has been kept in powerless but close positions at times when he has been dismissed by the President. Umirzak Shukejev is the CEO of the sovereign wealth fund, Samruk Kaznya, as a replacement to Timur Kulibayev when he was dismissed. He is also powerful in local politics having been the *akim* for three provinces in Kazakhstan. Adding to the intrigue, the Southerners were investigated by the National Security Committee which is controlled by the Aslan Musin, and their position was temporarily weakened as a result, but with such close personal ties to the President, the group has regained their standing.¹⁹⁵

¹⁹³ US Embassy, Astana, 'Kazakhstan: New Cabinet To Maintain Policy Course', *WikiLeaks*, January 16, 2007, accessed 16 September 2015, <https://wikileaks.kz.wordpress.com/2007/01/16/07astana125-kazakhstan-new-cabinet-to-maintain-policy-course/>

¹⁹⁴ Also within this group are the Minister of Defence Adylbek Dzhasysbekov; Serik Akhmetov the deputy Prime Minister; Serik Umbetov is the National chief Administrator in the Presidential Administration office.

¹⁹⁵ Other members of this group include Kairat Mami who has previously held positions as the head of the Supreme Court and as Prosecutor General.

In these four groups we can see the strategic future of Kazakhstan's strategic choices. The younger, hungry son-in-law Kulibayev has the appetite for access to new markets and control over much of the energy industry. This is in contrast to the other powerful 'old guard' groups, the Southerners and Conservatives that are based upon the current President's position as the leader, subject to continued presidential approval, and provide support for the leadership within the ministries. It is worth noting that the younger groups have less exposure to Soviet era training than the older groups that form the President's stalwarts. As these move and change, as leaders jostle for positions and influence, so the cultural practises and strategic choices of the state will alter.

Through this maze of interpersonal relationships, the WikiLeaks cables shed light on the extent of, and problems caused by, industry corruption. In one such cable the first vice president of KMG, Maksat Idenov, converses with the then Ambassador, Richard Hoagland, over dinner in Astana between the two men. In this meeting, Idenov states that Timur Kulibayev has received over \$100 million in bribes from Chinese firms, and that his personal image is out of touch with his predilection for bribery.¹⁹⁶ He goes on to note that Kulibayev is "like a Buddha with a Paris manicure". Idenov also reveals he asked Kulibayev to "please watch your image and your reputation. You have a real opportunity to improve your own image and the image of the nation" following a dispute between the two over these issues of bribery. Furthermore, Idenov alleges that the firms ENI and BG are corrupt firms and that Kulibayev has been "salivating" to be attached to these deals. Idenov states that he has been chosen by the President to run the major oil projects of Kashagan and Karachaganak in order that the projects are run according to international standards. The cable also notes, in an obviously

¹⁹⁶ US Embassy, Astana, 'Kazakhstan: Money And Power', *WikiLeaks*, 25 January 2010, accessed 16 September 2015, https://wikileaks.org/plusd/cables/10ASTANA72_a.html

unverifiable estimate, that Kulibayev owns 90% of the economy of Kazakhstan. Regardless of this Idenov says that vice President Karim Masimov does not act without permission from Kulibayev, showing how entrenched Kulibayev is in the decision making process of government.

The issues here surrounding money and corruption give great insight into the workings of the relationship between the government, KMG and industry. Corruption is rife, and there appears to be a small handful of people at the top, such as Idenov, that are trying to create a new culture within Kazakhstan to overcome the corruption and fulfil the development potential of Kazakhstan. The President has surrounded himself with a group of rich men, who are left almost unchecked by the system, and are able to syphon off not insignificant amounts of money unchecked and until these leaks, unverifiable to the public. From the point of view of governance it also means that there is a conflict of interest between choosing firms who bring the most transparency and the most technology to a project, such as Statoil, and those that are less transparent. A triad of changes in legislation, rotating personnel, and formal structures have thwarted attempts to modernize the industry creating fuzzy lines and blurring the chains of leadership both within KMG and regulatory boards. Intra-elite conflict creates instability and British firms complicity are well known through the actions of Mark Rawlings, the British Gas Country Director for Kazakhstan, and his relationship with James Giffin who was charged for bribery over oil deals all over the FSU in the 1990s. Furthermore, the men in this situation are not old men, they are for the majority far younger than the President, in their 40s and fifties on average, with many more working years ahead of them. Their rotating positions also speak to the strategic culture of the management of the industry. Brought up in the Soviet era, they received their training in Russian universities, or trained in Soviet institutions, and have benefited from the Soviet system.

Relationship between the Government and IOCs

The majority of the giant and supergiant fields in Kazakhstan are controlled by international firms. This is because KMG is only able to develop the old fields in their entirety, and even these projects require new technology to increase or continue the production yield. The rest of the projects are too complex or require new technology that KMG is not yet able to operate these fields. Furthermore, there is not the infrastructure available to be able to develop the main Caspian shelf projects without outside assistance. As a result of this demand, and the relative ease of doing business (compared with the Nigerian sector for example) competition for access to the Kazakh energy market is high. As a result the preeminent task facing the Kazakh government has been the management of foreign investment in the region, as opposed to the attraction of foreign investment. Of the 250 plus subsoil contracts, and the vast majority of those are concentrated in fifteen major fields, and these are majority-controlled by foreign firms.¹⁹⁷

As discussed in the short history of the industry, the Kazakh government pursues a strategy which aims to maximise the Kazakh government and business involvement in the energy industry. As a result the Kazakh government has periodically introduced special measures, often with limited advance warning and little consultation, to reintroduce Kazakh control of the industry. One of the key issues raised during interviews with the IOCs was that of personnel quotas. The quotas are established annually by the government, but do not apply to workers from Belarus or Russia because of the new customs union.¹⁹⁸ The current requirement is that as of 1 January 2012, Kazakh citizens should account for 70% of all first and second tier jobs,

¹⁹⁷ Tengiz, Karachaganak, Kashagan, Uzen, Zhetybay, Zhanazhol, Kalamas, Kenyia, Karazhanbas, Kumkol, North Buzachi, Alibekmola, Central and East Prova, Kenby and Korolevskoye. Half of reserves are in Kashagan and Tengiz.

¹⁹⁸ The work is regulated by the Law of RK on Employment Population, 23 January 2001, Resolutions of the RK Government on approval of Rules Defining Quotas for hiring Foreign Workforce in Kazakhstan, 13 January 2012, and Rules and requirements for Issuing Work Permits to Foreign Employees and permits to Employers for Hiring Foreign Workforce, 13 February 2012.

and 90% of all employees in the third and fourth tier jobs.¹⁹⁹ Some exceptions have been allowed to these quotas on the projects in Karachaganak, North Caspian and Tengiz, but these will run out all too soon by 2015. Interestingly, these rules do not apply to government firms or institutions, only to foreign companies. Tenders have also been subject to government regulation, and as a result all companies must apply a 20% reduction in the bid price for Kazakh manufacturers.²⁰⁰ To calculate the local content of manufactured goods and services requires consultation with twenty one separate laws, who incidentally are currently the body that decides if the Kazakh production is meeting international standards. Again this has been an ongoing struggle between the IOCs and the government.

Even these basic regulations, which seem straight forward, are made more complicated by the realities of the country. Firstly, visa regulations for foreign workers are subject to change at any moment via a presidential decree regardless of what the law states.²⁰¹ Five year visas were issued in 2013 for foreign workers, but for no apparent reason they required the holder to leave the country every month and re-enter the country with a new visa stamp or face deportation. As is so often the case, this was introduced without public consultation and with two weeks' notice to visa holders. To give this perspective, this was one of three major changes to foreign visa regulations made in that year alone. Secondly, the local content requirement for 70-90% local workforce is made more difficult through the education and work standards of the countries. For instance, during an interview at an IOC, the example was used of the use of the term 'foreman'. For the US and EU firms, a foreman is a skilled position on oil rigs, it requires experience, involves key decision making functions and certain levels of qualifications. Local quota enforcement assumed that the level of experience needed was

¹⁹⁹ Energy Charter Secretariat, 'Investment Climate and Market Structure Review in the Energy Sector of Kazakhstan', *Energy Charter Secretariat*, Brussels, 2013, p.53.

²⁰⁰ *ibid.*, p. 59

²⁰¹ Presidential decrees can emerge at a moment's notice on a variety of different topics. Public holidays are regularly moved and people's working weeks altered with two days' notice because of a decree, as is the case for many other facets of ordinary life.

much less, that this was a less skilled job, and the local quota of employees to work on the project were not fit for purpose. This is wrong for a number of reasons. The individual is left feeling inadequate and unaccepted in the work place. The firm either has to pay to train the individual for many years or face the consequences of an unqualified employee risking the lives of others in what can be a very dangerous operating environment. The issue here becomes one of standards and definition.

Many of these legislative changes have had the effect of papering over the wider systemic failures of the government. No amount of personnel quotas or local procurement legislation is going to matter if the quality of recruitment and manufacturing does not meet international standards, and this will not change in a matter of years. Inevitably this will be a generational change and the result of a cultural movement away from the old Soviet model ingrained in the present leadership. As with most other aspects of Kazakh decision-making, the results would be improved through increased transparency and consultation in the legislative process. The IOCs would benefit from reduced costs and have greater certainty when planning expensive projects if bureaucracy could be curbed and the rule of law strengthened to ensure against changes to the hydrocarbon governance regime in the face of a leadership struggle. That said, there are advantages to the current inefficient bureaucracy; difficulties can be channelled informally rather than being made to be subject to public scrutiny; the lengthy delays in action from the government allows IOCs to manoeuvre around legislation knowing that there will be a lag in the government's response; and the lack of true technical oversight means that despite the growing presence of KMG in the market, the main oversight role will always have to be taken by a foreign firm, away from direct government intervention.

Relationship between KMG, IOCs and the Government

Kazakhstan has used Production Sharing Agreements (PSA) since the early years of the industry's development beginning 1997. The battle for Kazakhstan, as is the case for any technically demanding new oil state, must find a relationship with IOCs that balances hydrocarbon wealth distribution between sovereign ownership and the performance enhancing capacity of a foreign oil company. Between that and a desire to avoid the resource curse, PSAs have become increasingly sophisticated to protect both sides of the agreement but are not infallible and are subject to the rule of law within that country. They were designed as political tools; they provide a veil of authority for the state to show the public that it is the controller of its industry, the name even sounds democratic and just, but in reality can cover a number of different caveats which can leave the state impotent. The distinguishing features of a PSA are: the profit from *extracted* hydrocarbons is shared amongst the cosignatories leaving subsoil hydrocarbons the property of the state; they are often decades in length to allow investment to be recouped; all profit thereafter is divided according to the contract; a firm can assume a leadership role to settle disputes; and a distinction is made between technical and commercial operation of the field.²⁰²

PSAs are anchored in common law, rather than civil or administrative law, and as such require a functioning judiciary system which does not allow *ex poste* appropriation. As Kalyuzhnova & Nygaard explain, these conditions are simply not present in Kazakhstan or even its

²⁰² Soros Foundation, 'How to Scrutinise a Production Sharing Agreement: A Guide for the Oil and Gas Sector Based on Experience From the Caspian Region', *Soros Foundation*; International Institute for Environment and Development, London, 2012.

PSA agreements are by no means the only type of agreement that Kazakhstan has used or is available. Often the key feature of what distinguishes between the types of contracts is who takes the burden of risk and also how the profit is extracted by the state and firms. Service Contracts are a limited form of contract in so much as they are subcontract agreements in which an IOC offers technical capability that the state or local firms do not possess. Joint Ventures are as they sound, are a jointly undertaken business venture as either an incorporated or unincorporated firm. These require different levels of accompanying contractual agreements in order to fairly apportion liability between shareholders, particularly in the case of unincorporated ventures. Concessions and licenses grant the investor the sole right to the commodity and profit is taken through taxation. PSAs and concessionary contracts place risk with the investor which is what makes them attractive to the state but the sharing of future profits makes them attractive to investors and is why they remain a very popular type of contract in the industry. The reality is that these contracts are tailored to the country/ industry in question and they are rarely found in a pure archetypal form.

administrative predecessor, Russia, meaning that although contracts that seem harsh from the Kazakh perspective, they were partially built to ease the fears of long-term investors.²⁰³ Early agreements that Kazakhstan signed were the result of inexperience, when any contract was better than no contract and the new regime had yet to prove itself as a stable leadership, a time when IOCs were fearful of re-appropriation by the state, and they have all been subsequently renegotiated.

To rectify this, amendments to the Tax Code and Petroleum and Subsoil Law began in 2004, 2005, 2007 and again in 2011. The focus changed to increasing the use of local content in production, increasing government share of taxes, and increasing regulation and oversight on the part of the state. Changes to the PSAs around this time varied from concrete challenges to the allocation of profits and the centrality of KMG to projects, but others included nebulous concepts. References to the Kazakh 'national interest', the ability of the government to define what constituted and allowed intervention in matters of 'strategic importance', and the expanded ability of the state to terminate or amend contracts all began to enter the PSAs.²⁰⁴ It is also at this time the Kazakh parliament begins to show its unhappiness with the PSA model.

'The specifics of the subsoil use in Kazakhstan (high production cost, long transportation network, limited internal processing facilities) make the production sharing concept ineffective and difficult to manage and apply. The practise of sharing existing production sharing agreements in the Republic of Kazakhstan shows that the country does not

²⁰³ Yelena Kalyuzhanova & Christian Nygaard, 'State Governance Evolution in Resource-Rich Transition Economics: An Application to Russia and Kazakhstan', *Energy Policy*, Vol.36, No.6 (2008), pp.1829-42.

²⁰⁴ P. Pugh & C. Partasides, 'New law endangers oil and gas contracts in Kazakhstan: what are foreign investors' rights?' Lexology Report 2007, Freshfields Bruckhaus Deringer LLP.

*receive adequate returns from these projects, even with the prices for raw material being high.*²⁰⁵

Whilst these changes were partly to reflect the growing capacity and interests of the state, it was also to correct the practises of some of the foreign companies. ENI failed to adequately lead the Kashagan project in its early years of development, allowing KMG to acquire an equal stake (16.18%) in the firm after renegotiation with the partners. It was KMG that led these negotiations and in return for the state's support in that, KMG has to perform certain social functions in society. As of 2009, no new PSA contracts could be signed and instead a new model called the Excess Profit Tax model was introduced. This ability to change the terms of taxation is an important part of the Kazakh model of oil governance and has been a persistent feature of the types of contracts offered by the state.²⁰⁶

Relationship between KMG and the Public

KMG is contractually obliged to perform social functions which creates unexpected problems for the state. Along with the major IOCs operating in the industry, KMG has to incorporate a CSR policy aimed at integrating the profits from the oil industry directly into social welfare projects. Internally this manifests itself in a Centre for the Development of Personnel, and through degree programmes to feed young graduates into KMG.²⁰⁷ Separate to this is their outreach programme which builds orphanages, care home, medical centres etc. as part of a legal agreement with local government. It is also interesting to note that signs of the soviet legacy are still noticeable in some of the more personal benefits that they deliver including; 3 metric tonnes of coal per annum to retirees unable to afford heating as well as free

²⁰⁵ Parliament of the Republic of Kazakhstan (2009) Law on Subsoil Use.

²⁰⁶ Although the contracts are held privately by the Government of Kazakhstan, the legal frameworks is not and it is from this that the consistency of this premise in Kazakh state industrial practises can be recognised.

²⁰⁷ Martha Brill Olcott, 'KazMunaiGas: Kazakhstan's National Oil Company', 2007.

newspapers, and sanatorium visit every three years; retired women receive \$39 on international women's day, \$78 dollars on Naruz (New Year); and every decade after retirement and upon their death.²⁰⁸

Furthermore, KMG must provide an agreed percentage of its oil for the domestic market, at a rate set through government quotas. When all the different KMG subsidiaries have been taken into account it is approximately 49% of oil that is destined for the domestic market, and therefore a lower, subsidised sale price.²⁰⁹ The majority of this passes through the Atyrau refinery and, as part of a series of government quotas, a defined amount of the hydrocarbons must be sold at cost. KazTransGaz also has certain obligations to provide gas to unprofitable regions in the south of the country that would otherwise be serviced by the unstable reserves of Uzbekistan. In the past the government has also made the decision to operate unprofitable fields (eg the Armangeldy field) because of the issues of employment and to reduce dependence upon Uzbekistan.²¹⁰ Furthermore, the government routinely restricts and bans the export of certain hydrocarbon products in order to protect domestic prices, something which occurring at an increasing rate because of the current international restrictions on Russia.²¹¹ KMG is contractually obliged to fulfil these requirements, with no apparent provisions as part of the social obligations of the firm.

²⁰⁸ *ibid.*

²⁰⁹ Daniar Mukhtarov, 'Kazakhstan's oil and gas company exports over 70% of produced oil', *Trend News Agency*, 26 October 2014, accessed 16 September 2015, <http://en.trend.az/casia/kazakhstan/2325543.html>

²¹⁰ Martha Brill Olcott, 'KazMunaiGas: Kazakhstan's National Oil Company', 2007.

²¹¹ Svetlana Antoncheva, 'Kazakhstan Extends Export Ban on Light Oil Products to Year End', *Bloomberg*, 12 August 2014, accessed 16 September 2015, <http://www.bloomberg.com/news/2012-08-16/kazakhstan-extends-export-ban-on-light-oil-products-to-year-end.html>

Prospects for Reform

Reform in the Kazakh economy is possible but by no means inevitable. A mixture of increased capacity and improved transparency would have an enormous economic impact upon the energy industry but it is a question of whether or not this suits the power-players. Increased scrutiny of the tender process and selection criteria, transparency of the contracts signed, public scrutiny of the forms of taxation arrangements made between the IOC, NOC and state, independent revenue calculations and a public consultation process would all go a long way to improving the industry's efficiency and competency. However, this is part of a wider systemic issue in which there is only a very small and impoverished civil society with little access to government information or power and therefore unlikely to be solved in the near future, along with a host of other state failures such as the lack of a political will to establish a free media. When these features are drawn together then expectations of the state can begin to be realised; the human and environmental costs of the extraction process can be properly compensated.

Increasing export capacity will be fundamental to the growth of the Kazakh oil industry, but can it be achieved in a productive manner? One of its key challenges will be in the expansion of its refinery projects to improve its production of light crude products, not just simply for economic reasons but also to reduce geopolitical dependence upon Russia. The three refineries are located in Atyrau (refining domestic crude from the north west), Pavlodar (mainly refining oil from Siberia) and Shymkent (domestic oil is refined from central Kazakhstan). Until these refineries have finished their expansion stimulus Kazakhstan is even more dependent upon Russia for oil. Ironically for an oil exporter it does not yet have the capacity to sell the most lucrative value-added product to market – sweet light crude products. Russia accounts for 1/3 (1.36 million tons) of all the petrol consumed in Kazakhstan and for about 14% (0.7

million tons) of diesel fuel.²¹² As a result Kazakhstan is dependent upon Russian prices, which have ‘hiked’ since the Ukraine crisis began in 2014.

Even the completion of these refineries does not spell the end of the woes for Kazakhstan’s capacity crisis. Over production and spare capacity loom as the next Vice Chairman of the Board at KazMunaiGas National Oil and Gas Company Daniyar Tiyessov stated that

*When it comes to exports potential for petroleum products, let us be frank, Russia is not interested, neither is China. We share border with Azerbaijan and Iran, both of them being self-reliant in terms of crude and petroleum products. The only potential market available for our petroleum products is that of other Central Asia states with a growing population and a shortage of oil processing capabilities of their own. And Afghanistan as well.*²¹³

Financing these reforms, regardless of capacity, is yet another aspect the refining process that is made more difficult by the geopolitical implications of the choice of partnership. Foreign firms have been reticent to become involved in financing the refineries because the domestic market is not as lucrative as the international, leaving Kazakhstan with a funding gap until the

²¹² Tengri News, ‘Kazakhstan May Remain Dependent On Russian Petroleum Products Through To 2019’, *TengriNews*, 25 August, 2014, accessed 16 September 2015, <http://en.tengrinews.kz/markets/Kazakhstan-may-remain-dependent-on-Russian-petroleum-products-through-to-2019-255680/>.

²¹³ Tengri News, ‘Following Overhaul At Three Oil Refineries Kazakhstan May Face Excessive Supply Of Petroleum Products’, *TengriNews*, August 2014, accessed 16 September 2015, <http://en.tengrinews.kz/markets/Following-overhaul-at-three-oil-refineries-Kazakhstan-may-face-excessive-supply-257310/>

recent acquisition of contracts by Chinese firms.²¹⁴ It is interesting to note in this time of Russian expansionism that media observations of Kazakhstan and its energy industry place them firmly in the Russian sphere of influence, with blind expectation that Kazakhstan would 'side' with Russia, and that the Russian mind-set is that there is a zero-sum choice to be made. No decision to reform the Kazakh energy industry can be seen as occurring with pure domestic needs in mind, the ramifications of these choices now will have larger political consequences for the balancing of Chinese and Russian interest.

With this in mind, the Kazakh government has had previous success of overhauling an industry. The financial industry of Kazakhstan has undergone an enormous transformation in under a decade through various measures including the founding of an independent regulator, pension reform banking consolidation and the provision of deposit insurance.²¹⁵ Three large banks were nationalised during the financial crisis and the state stepped in as the lender-of-last-resort to ensure the capital requirements of individual banks.²¹⁶ However, the banking industry is more heavily regulated through international norms and practises, and the nature of the industry means that geographical challenges are less important than in the energy industry making the challenges easier to overcome. Many of the major factors affecting the overhaul of the industry are the result of a historical legacy and a system that suits the few.

Corruption was rife during the Soviet Union but it was in a very different form than in today's Kazakhstan. When the old structures were dismantled, so too were the joint-profit maximising structures of corruption, only to be replaced by a new form of corruption in which the head of

²¹⁴Oil & Gas Journal, 'Kazakhstan lets contract for refinery modernization', *Oil & Gas Journal Online*, Huston, 2014, accessed 18 September 2015, <http://www.ogj.com/articles/2014/01/kazakhstan-lets-contract-for-refinery-modernization.html>

²¹⁵ Harvard Centre for Development Studies, 'Kazakhstan Strategy and Policy', (Massachusetts: Kennedy School Growth Lab, 2013).

²¹⁶ For a full report on the banking sector of the Republic of Kazakhstan see International Monetary Fund, 'The Republic of Kazakhstan; Financial System Stability Assessment', *International Monetary Fund*, Country Report No. 14/258, International Monetary Fund, Washington D.C., 2014, accessed 16 September 2015, <http://www.imf.org/external/pubs/ft/scr/2014/cr14258.pdf>

the legislature and executive are in competition for bribes thereby increasing the economic impact of corruption.²¹⁷ Kazakhstan was not alone in this – it was common all over the FSU – but it manifests itself in different forms in each region and country of this vast area of Eurasia. It is not exposure to foreign trade or government intervention alone that is a root cause of corruption in the FSU, other conditions must be present as well, most particularly poverty.²¹⁸ The government recognises the disconnect between Kazakhstan's position as one of the world's 50 largest economies whilst being 140th out of 177 countries on the Corruptions Perception Index, least of all because of the impact upon foreign investment.²¹⁹ In 2013 President Nazarbayev used a number of public statements to reiterate that fighting corruption was becoming a government priority. New legislation is being crafted during 2013/14, accompanied by changes to the judiciary to increase the number of judges and fire a large number of those currently embroiled in scandal. However, as one would expect the bulk of the anticorruption action is being taken at mid and low level administration, not the upper echelons of the government. At lower levels daily working life is affected. At the higher tiers of government whole economies suffer from the sheer scale of assets syphoned off from public funds.

Altogether, there is a battle between the positive forces of reform and the weight of geopolitical commitments which is slowing down the process of development. After acknowledging that “generally speaking the country's energy sector is in disarray”, President Nazarbayev announced a leadership reshuffle and the reorganisation of the bureaucracy.²²⁰ Karim

²¹⁷ A Shleifer and R Vishny, 'Corruption', *Quarterly Journal of Economics*, Vol.108, No.3, (1993), pp.599-617.

²¹⁸ Daniel Treisman Post-Communist Corruption Jan Fidrmuc and Nauro Campos, in D. Treisman, (ed.) *Political Economy of Transition and Development: Institutions, Politics, and Policies*, (Dordrecht: Kluwer, 2003), pp.201-226.

²¹⁹ Transparency International, 'Corruptions Perception Index', *Transparency International*, 2013, accessed 16 September 2015, <http://www.transparency.org/cpi2013/results>

²²⁰ European Forum, 'Kazakh Cabinet Is Reshuffled While Super Energy Ministry Is Created', *European Forum for Democracy and Solidarity*, August 2014, accessed 16 September 2015, http://www.europeanforum.net/news/1983/kazakh_cabinet_is_reshuffled_while_super_energy_ministry_is_created

Massimov, the President's strongest proponent of reform, re-assigned back to the position of Prime Minister is symptomatic of Nazarbayev's new focus upon legacy in old age. Further changes in 2014 reflect the changing attitude away from the Soviet model of government. Seventeen ministries have become twelve, including a re-evaluated Ministry of Energy, and the number of committees has reduced from fifty four to thirty in an attempt to mitigate the lower growth forecast that has dented the Kazakh economy.²²¹ However, these positive changes are offset by a series of government mistakes and geopolitical inevitabilities. What we are seeing is the result of Government mistakes coming to fruition, including the February 2014 currency devaluation of 20% on the back of changes to the Russian rouble, announced overnight and after much reassurance that devaluation would not be taking place. The sanctions against Moscow are beginning to affect Kazakhstan through the state's decision to enter the Eurasian Customs Union, and Moscow is reducing purchases of Kazakh hydrocarbons. Exports to Ukraine have fallen by 30% in 2014 already. Furthermore, the consolidation of the Ministry of Energy has placed a close presidential ally at its head, further consolidating presidential power over the industry. And all of this comes at a time when Kashagan is closed for production yet again and the world's most expensive oil field is yet to get properly started.

Assessing the industry

The Kazakh state has created an energy industry where there was none. In this journey towards independence a unique relationship between state and state-oil company has formed but has this resulted in the most efficient and effective arrangement? How does Kazakhstan's compare to other governance strategies? The work of Victor et al overturned much of the accepted wisdom; depletion rates of oil have no bearing upon performance; the management

²²¹ Gavin Bowring, 'Guest Post: Kazakhstan Reshuffle Stokes Devaluation Debate', *Financial Times*, 11 August, 2014.

team is not as important as state goals; the need for regulator and firm to have separate functions is not as important as maintaining consistency within the arrangement.²²² Instead they outlined three key factors that affected the performance of the national oil company; state goals, geology and management performance. Creating a well-functioning governance strategy has the effect of improving the autonomous capabilities of the state, and therefore its marginality, so how does Kazakhstan's energy governance measure up to this triptych of performance measures suggested by Victor et al?

The highest performing of the ten NOCs in the case studies were those that had clear goals that allowed the state oil company to pursue only hydrocarbon tasks.²²³ The states that most prevailed upon the oil companies were those of Nigeria and Mexico. Nigeria's NNPC management of the oil and gas sector has not moved beyond bureaucratic measures and instead has become a neat mechanism for the President to syphon funds to patrons.²²⁴ In the case of Mexico, it was the inability of Pemex to take control of its resources and use them for long-term strategic gain that was the impediment to performance.²²⁵

We can see that in the case of Kazakhstan, KazMunaiGas is expected to fulfil only a small number of non-hydrocarbon tasks. As the chapter highlights, the low domestic oil prices that the state has set for the population lend a development and political aspect to the activities of KazMunaiGas, blurring the role of the state firm. Similarly, the firm has a propensity to be

²²² David Victor, David Hults and Mark Thurber, Victor, D., Hults, D., and Thurber, M., 'Conclusions and Implications for the Oil Industry's Future', in David Victor, David Hults and Mark Thurber (eds.) *Oil Governance and Governance; State Enterprises and the World Energy Supply* (Cambridge: Cambridge University Press, 2010). p. 900.

²²³ *ibid.*, p. 902. The ten countries that were listed in the study were Saudi Arabia, Iran, Mexico, Kuwait, China, Venezuela, Abu Dhabi, Brazil, Algeria, Norway, Russia, Nigeria, India, Malaysia and Angola.

²²⁴ Mark Thurber, Ifeyinwa Emelife and Patrick Heller, 'NNPC and Nigeria's Oil Patronage Ecosystem', in David Victor, David Hults and Mark Thurber (eds.) *Oil Governance and Governance*, p.715.

²²⁵ David Victor, David Hults and Mark Thurber, 'Conclusions and Implications for the Oil Industry', 2010, p. 902.

involved in every stage of production, spreading its remit wider than simple extraction and sales. The power of the leadership in this authoritarian country is clearly shown in the chapter. The relationship between the president, the state, the state oil company and the regulator is shown to be opaque at best and facilitating corruption at worst. Money is syphoned off into the president's personal banks, and although there is no direct link between the money and the state firm, the amounts in question are into the billions of dollars with few other domestic sources able to shoulder such revenue depletion. As a result the president is able to have unfettered access to the oil company, and free from constraints, is able to intervene in the state firm, altering its ability to focus upon long-term market objectives. The system of patronage further exasperates the problem as money is channelled to these interest groups.

Victor et al's study reveals that geology determines the likelihood of there being a national oil company existing; the larger the endowment the more likely it is that the state will be interested in creating a NOC.²²⁶ Because of the low-risk that has been attached to the Kazakh projects (because of the size of reserves) the state has been able to financially invest in the creation of KazMunaiGas and have leverage to seek outside investment. It is the technological capabilities that has been the key drawback. It also helps to explain why Kazakhstan has made minimal effort to become an IOC, because there are sufficient resources at home that make the risk of operating overseas a less appealing prospect to the state. Furthermore the study also suggests that easy geology enables poor governance and performance.²²⁷ In the case of Kazakhstan this rings true to a certain extent. The extreme conditions of the oil fields means that IOCs are required to intervene in the industry. The presence of Western firms expecting international standards to be upheld on sites has influenced the way in which the

²²⁶ Peter Nolan and Mark Thurber, 'On the State's Choice of Oil Company: Risk Management and the Frontier of the Petroleum Industry', in David Victor, David Hults and Mark Thurber (ed.) *Oil Governance and Governance*, pp.161-167.

²²⁷ David Victor, David Hults and Mark Thurber, 'Conclusions and Implications for the Oil Industry's Future', in *ibid*, p.904.

state operates. Furthermore, a culture of learning has been created through changes in recruitment legislation. However, whilst it could be argued that operating with the international firms has had an impact upon the state firm, the state has persistently sought to renegotiate the relationship between them via the tax legislation.

Furthermore, Victor et al show that oil companies do not have the 'normal' separation of regulation and management of other state sectors, and that management performance is not the most important indicator of the performance of the NOC, rather it is uniformity that matters.²²⁸ This chapter shows that the Kazakh model has taken some steps towards separation of functions, by implementing the Samruyk fund and allocating tasks between different government bodies. Again, the revolving door of personnel and the patrilineal links between the state and other parties has the effect of dulling this separation. Kazakhstan does not have the pure separation of state and regulator that Norway's Statoil exemplifies, but it is instead a hybrid regime. Kazakhstan's NOC is the product of the state that created it - an institutionally and originally a financially weak state. As a result, KazMunaiGaz sits within the state apparatus, and because of its prominence within the economy, forms the backbone of the state. To gain true separation would require a total reformation of the public administration and the role of energy within the economy of Kazakhstan. The model that is created is therefore unlikely to be that of a democratic liberal state.

If it is uniformity that matters, then the Kazakh energy firm has partially been able to fulfil this criterion. Unified system control reduces change in the operating environment of regulation, administration and corporate governance.²²⁹ As a result, evidence of this should be found in the long-term planning capacity of the NOC. As the chapter shows, KazMunaiGas has long term planning capacity; it has serious strategic vision for its future development and these

²²⁸ *ibid.*, p.906.

²²⁹ *ibid.*, p.907.

goals are directly linked back to and supported by the state administration and government agencies. However, there is evidence of a capricious streak within the regulatory framework. The changes to the tax legislation suggest that there is uncertainty in the market and the blurred lines between the president and NOC are similarly disconcerting. The predictability of the environment, so crucial in lowering risk, is not entirely present in the current system.

Consolidation does not necessarily mean that the NOC will perform well. To give this perspective, Kazakhstan does not have as consolidated a relationship between the state and the NOC as Gazprom. This is because it does not have to perform the same non-hydrocarbon tasks as Gazprom, which functions as an arm of state foreign policy, giving it stronger performance potential. Furthermore, the authoritarian regime in this case helps with consolidation. The close relationship between KMG and the state helps to ensure that changes can be made in a fast and responsive manner to the environment, but what slows the progress is an inefficient bureaucracy. As a semi-weak, semi-authoritarian state, Kazakhstan struggles to implement the checks and balances within the domestic firm and with the IOCs. Furthermore, the quality of reported evidence within the system of energy governance makes it difficult to trust the reliability of the data received from government agencies. Do all the figures add up? This negatively affects the ability of the state to plan and strategies with confidence using its own intelligence. Furthermore whilst Kazakhstan has created a NOC in order to have more control, the creation of KazMunaiGas does not necessarily guarantee this. The state-within-a-state that is Gazprom should serve as a warning as to how much power an individual arm of government can wield.

Finally, the Victor et al study suggests that the role of management is not as important as previously thought.²³⁰ Instead they argue that the ability of the state to create goals, geology and the interaction between the state and the NOC is more important in determining performance.²³¹ The difference here is between the private firm and the NOC. In the latter, there is much time spent by the managers conferring with the government. In the IOC in Kazakhstan (and other countries) there exists a dedicated position/ department of political advisors who communicate with the state, whilst in KazMunaiGas, this happens across the departments.²³² The ability of the NOC to attract the highest skilled workers should be significant. In Kazakhstan the state oil company is the most significant employer, and one of the most prestigious employers, enabling it to employ the most skilled management personnel. However, this positive externality is tempered by the amount of nepotism present within the NOC and the state. But, if we follow the logic of Victor et al, then the heavy state presence within the NOC enables the state goals to be pursued even though there are high levels of nepotism within the industry, providing continuity. Furthermore, the strong presence of IOCs holding managerial stakes in the largest oil and gas projects reduces the administrative pressure on the state oil firm to manage international projects.

Conclusion

The energy industry is at the heart of all Kazakhstan's foreign policy decision-making capacity. It is the source of its autonomy and the tool with which the state generates negotiating capacity with international powers. As the thesis turns to examine the autonomous capabilities of Kazakhstan with Russia, China and the West, it is important to remember that it is strategic *choices* that are both driving Kazakhstan's economic progress and holding it back through

²³⁰ David Hults 'Hybrid Governance: State Management of National Oil Companies' in in David Victor, David Hults and Mark Thurber (ed.) *Oil Governance and Governance*, p.912.

²³¹ *ibid.*

²³² Interview, Shell Political Advisor, Astana, March 2013.

corruption and inconsistency. There is nothing inevitable or destined about the current socio-economic situation in which it finds itself, but neither is it completely controlled by the state, and actors external to the state are integral to the process of creating a strategic culture. These different actors and competing subgroups, whether Conservatives or Southerners, create the subcultures that generate a strategic environment of the state and the energy industry. By examining the relationship between the public, state, KMG, and the IOCs, it becomes apparent that the choices of the state are constraining the ability of the energy industry to achieve the goals that are in fact set by the state, and in turn the state is only able to partially fulfil its criteria of increasing autonomous potential.

Tensions between the state, the IOCs and the public over the role of the IOCs in providing CSR exemplifies the fragility created by corruption and authoritarian power structures. The state needs to be seen to be providing so as to appease the domestic audience in return for their compliance with the status quo, whilst simultaneously creating an environment in which the IOCs can operate according to their own norms. The often changing operating environment creates risk and volatility which is damaging for all parties and yet the state appears to take on different types of risk. When we analyse these tensions in contrast with the elements of successful governance drawn out by Victor et al, we can see that Kazakhstan's dilemma is a common tension in oil producing countries, but set in a unique context. The centralised system of governance with a direct decision-making process led by the President, combined with a mixture of monitoring and procedural regulation provides long term stability in the industry. Independence left Kazakhstan in a position of low marginality, with little autonomous choice but through the development of strategic practises: through governance choices within the tax regime and carrot and stick approaches to regulation.

However as the President ages and rumours circulate of ill health, this will only compound the problems that stem from the consolidation of power into the president's office. The lack of a clear successor is clouding the ability of investors to see beyond the immediate future, and raising doubts about the longevity of the strategic plans for the NOC. Depending upon which group the next leader emerges from will have a profound impact upon the strategic culture and choices of the leadership, altering the future of the state strategy again. It will also have significant implications for the relationships between Kazakhstan and its international partners. If Kazakhstan has found ways to alter its domestic industry, it has also moved beyond its enforced relationships lingering from the early days of independence, raising many questions about the validity of the metanarratives that are generated to 'explain' Central Asia. What are the ways in which this increasingly autonomous marginality manifested itself? And has it been given or has it been generated from within? How has increased marginality and changes in the energy industry affected the relationships with the great power states?

Chapter 5

Old Friends? Living on the Margins of Russia

The Republic of Kazakhstan, as it stands today, was created by Soviet Russia. The autonomous state that we recognise as an independent nation came into being following the invasion of the khanates of Central Asia, the forced settlements of its population, and the imposition of lasting borders during Soviet occupation. Today, Russia remains present in many powerful cultural forms. The northern *oblasts* have a majority ethnic Russian population, the language spoken by the majority of Kazakhstanis is still Russian, and from the mayonnaise-laden salads present at every mealtime to the streets named for Russian poets, 'Mother Russia' is still very much in evidence. And yet, behind these daily reminders of a colonial heritage, there is mounting evidence that Russian influence is not what it once was, or indeed what it purports it to be. Despite the portentous language of President Putin, the economic relationship is not as stable nor as deep as it could be, and importantly, its influence is weakened in Kazakhstan's most important industry; the energy industry.

The relationship between Russia and Kazakhstan reminds us that marginality, and indeed geopolitics, is a vacillating construct. Russia once fulfilled the criteria of a margin power on the edge of Europe through its colonial history with Central Asia in the years after the breakdown of the Soviet Union. As the European Union expanded it encountered new and unknown territories that allowed Russia to improve upon its now marginal position to fulfil a position as an interlocutor between the EU and these new states.¹ This had the effect of making Russia appear a stronger partner for NATO as a diplomatic actor with 'complimentary rather than

¹ Maxine David, 'Exploiting Marginality: The Case of Russia', in Parker (ed.) *The Geopolitics of Europe's Identity*, p.68.

unequal strengths' at a time when Russia was internally in crisis over its handling of the Serbian movement in Kosovo.² As Russia's former colonies acceded to the European Union, so Russia was pushed further to the margins of Europe, but nevertheless was able to take advantage of this new marginal position.

The significance of this positioning is threefold. Firstly, we can see once more the construction of Central Asia as the dangerous 'other', playing a significant role in creating this understanding of Russia as powerful protector of European policy. The now obviously unfounded worry for the EU was that there was the potential for terrorist movements and other forms of instability to be brewing in the new republics of Central Asia, Ukraine and the Caucasus; Central Asia is the wild' Steppe filled with unknown dangers. The framing of policy may have elevated the relative position of Russia, but it also inhibited the understanding of the place of Central Asia in international relations, relegating this region to an 'unknown' space on the map, and labelling them a natural seat of Russian influence. Secondly, this illustrates the potential for a state to generate power on the edges of a more powerful state, and more importantly, that it is even possible at a time when the state and economy is in disarray if long-term strategic thinking is applied. Thirdly, this scenario demonstrates the changing nature of power; Russia is no longer the *de facto* intermediary for the region with the West, or indeed between Kazakhstan and any other significant state.

This chapter seeks to understand how these relationships have changed, and suggest that this has occurred through a combination of rising Kazakh strength and economic in capability, together with a weakening of the Russian position. However, if this is the first time that this relationship has been conceived of in terms of marginality, it is by no means the first time that

² *ibid.*, pp.75-81.

it has been scrutinised. Indeed, the relationship between Russia and Kazakhstan has been of continuous interest to the leading scholars from the region and abroad.³ In the introduction to this thesis we considered the historic salience of the 'Great Game' literature, but area studies has picked this relationship apart from many different angles. The focus of the relationship from a Russian angle has also continued this narrative of dominance.⁴ Gradually the role of privatisation has been given prominence in understanding how Kazakhstan has managed its transition away from its Soviet heritage⁵, particularly in the oil industry,⁶ and in the role that this has played in creating the 'balancing foreign policy' between East and West.⁷ With time the 'Great Game' has gradually diminished in the bilateral literature, but some have still woven it into wider discussions of regional geopolitics.⁸ Similarly, the economic predominance of the relationship between Russia and Kazakhstan has long been considered to be of prime importance to Kazakhstan, and whilst some voiced their hesitancy over this position,⁹ it is only now that we have a deeper analysis of how this transition is taking place.¹⁰ Some local writers too have begun to distance Kazakhstan from the Soviet model of governance, emphasising

³ Sally Cummings, 'Happier bedfellows? Russia and Central Asia under Putin', *Asian Affairs*, Vol.32, No.2 (2001), pp.142-152; Oliver Roy, *The New Central Asia: Geopolitics and the Birth of Nations* (New York: IB Tauris, 2000); A. Bohr, 'Regionalism in Central Asia: New Geopolitics, Old Regional Order', *International Affairs*, [Vol.80, No.3 \(2004\)](#), pp.485-502; Andrei Kazantsev, 'Russian Policy in Central Asia and the Caspian Sea Region', *Europe-Asia Studies*, Vol.60, No.6 (2008), pp.1073-88.

⁴ Bertil Nygren, *The Rebuilding of Greater Russia: Putin's Foreign Policy Towards the CIS*, (Oxon; Routledge, 2008); Roy Allison, *Strategic Reassertion in Russia's Central Asia Policy*, *International Affairs*, Vol.80, No.2, Mar, (2004), pp.277-293.

⁵ Pamela Blackmon, *In the Shadow of Russia: Reform in Kazakhstan and Uzbekistan*, (East Lansing, MI: Michigan State University Press, 2011).

⁶ Pinar İpek, 'The role of oil and gas in Kazakhstan's foreign policy: Looking east or west?', *Europe-Asia Studies*, Vol.59, No.7 (2007), pp. 1179-1199; Reuel R. Hanks, 'Multi-vector politics and Kazakhstan's emerging role as a geo-strategic player in Central Asia', *Journal of Balkan and Near Eastern Studies*, Vol.11, No.3 (2009), pp.257-67.

⁷ Erika Weinthal and Pauline Jones Luong, 'Energy wealth and tax reform in Russia and Kazakhstan', *Resources Policy*, Vol.27, No.4, (2001), pp.215-23.

⁸ Mazen Labban, 'The Struggle for the Heartland: Hybrid Geopolitics in the Transcaspian', *Geopolitics*, Vol.14, No.1 (2009), pp.1-25; Sara O'Hara, 'Great game or Grubby game? The struggle for control of the Caspian', *Geopolitics*, Vol.9, No.1 (2004), pp.138-60; Richard Weitz, 'Averting a new great game in Central Asia, The Washington Quarterly', Vol.29, No.3, (2006), pp.155-67; Rajan Menon, 'The New Great Game in Central Asia', *Survival: Global Politics and Strategy*, Vol.45, No.2 (2003), pp.187-204.

⁹ Andrei P. Tsygankov, 'If not by tanks, then by banks? The role of soft power in Putin's foreign policy', *Europe-Asia Studies*, Vol.58, No.7 (2006) 1079-99.

¹⁰ Yelena N. Zabortseva, 'Rethinking the Economic Relationship Between Russia and Kazakhstan', *Europe-Asia Studies*, Vol.66, No.2 (2014), pp.311-27.

the uniqueness of the new republic, albeit with a voice that tows the party line.¹¹ To describe this as a consensus from the area studies literature would be too strong; there is still a wealth of writing, and rightly so, that illuminates the strong and binding ties between Russia and Kazakhstan.¹² Furthermore, whilst these economic shifts are receiving attention in academic literature and more sophisticated media reports, these views are not so well represented by public opinion within Kazakhstan.

In an attempt to progress our understanding of these phenomena, this chapter advances the following propositions; that it is possible for Kazakhstan to be both weak and strong through its relationship with Russia; its position on the margins of Russia has brought, and continues to bring, new opportunities to increase its autonomous capabilities; the extension/expansion of Russian power in Europe has weakened its influence within Central Asia and dispersed its power relative to Kazakhstan. As centres grow in size, they begin to experience new margins and in that process they become vulnerable through the changes that they encounter in their newly acquired sphere of influence.¹³ In order to explore the changing marginality of Kazakhstan relative to Russia, the chapter will examine the tactics and strategies that have developed between the two states. Building upon the arguments explored in Chapter 2 on Eurasia and Chapter 3 on Kazakhstan's energy industry, the indecisive Russian foreign policy and weakening economy are identified as key components in the growth of Kazakh autonomy. From the Kazakh perspective, very real steps have been taken to reverse the Soviet legacy and reduce interconnectedness with Russia via the energy industry, providing evidence of the Kazakh desire and capacity to develop autonomy.

¹¹ Z. K. Shaukenova, *Ideologicheskoe konstruirovaniye v Respublike Kazakhstan*. Almaty: KISI, 2012, 316 pp. A. Sh. Teleubayeva, *Gosudarstvennyye uslugi v kontekste administrativnoi reformi v Respublike Kazakhstan: opyt, problemy, resheniya* (Almaty: Zheti Zhargy, 2012), p.172.

¹² Aijan Sharshenova, 'In the Shadow of Russia: Reform in Kazakhstan and Uzbekistan', *Europe-Asia Studies*, Vol.65, No.7, (2013), p.1483.

¹³ David 'Exploiting Marginality' in Parker (ed.) *The Geopolitics of Europe's Identity*, p.69.

The chapter begins by conceptualising our understanding of Russia. In order to understand the claims that Russia makes over Central Asia and its territory, we must be able to conceive of a wider 'Russia', and the mechanisms which are used to include Central Asia in that definition. This clarification brings clarity to our understanding of what it is that Kazakhstan is trying to 'resist'; how does Kazakhstan seek to extricate itself from this narrative and what are the limitations to its bid for autonomy. We can see this in the everyday practises of geopolitics and cultural change, but the cement of the Kazakh project of marginality is in the economic and industrial changes that have taken place and accordingly that the majority of the chapter explores. Noel Parker reminds us that to be a margin, as opposed to a periphery, the state in question must be of interest to at least two centers of power in order to prevent itself becoming closed to the outside.¹⁴ With this in mind, the chapter concludes by building the foundations for the proceeding chapter, Chapter 5, which examines the entrance of another centre of power, China, into Kazakh sphere of influence.

Conceptualising Kazakhstan, Russia and Eurasia

In the great surge towards Eurasianism, it is easy to forget that Russia has experienced its own position on the margins of a greater power. Today, Russia is once again 'rediscovering' its Eastern heritage for modern-day political gains. Russian conceptualisation of what it means to be 'Russian' and what constitutes 'Russia' begins with the very origins of Russia, and the imagined geography that has been created out of a real geography and geology. The European vision of Russia, skewed by the Cold War, is of a vast state, too different to be 'fully' European, yet culturally elite enough to be accepted on Western terms. David Schimmelpenninck van der Oye creates an alternative narrative; the cultural imagination of

¹⁴ Noel Parker, 'Integrated Europe and its 'Margins': Action and Reaction', in Noel Parker and Bill Armstrong (eds), *Margins in European Integration*, (Houndmills: Macmillan, 2000), p.7.

Russia is a division between the people of the Steppe and of the forest rather than as a division between the East and West, as modern Western discourses have tended to describe.¹⁵ In the earliest stages of the birth of modern Russia, later distorted by Russian imperialism, Russia experienced the fierce riders of the flatlands and Khanates who traded with the Russian princes of latter-day Moscow. The legacy of the cultural exchange between Moscow and the Golden Horde is still evident today through linguistic connections and this shared history challenges our experiences and understanding of Kazakhstan today. As Eurasianism becomes a watch-word once more in international relations, we must be careful not use our lens of modern history and its 'scientific' gaze, to condense and simplify the relationship between Russia, Europe and Asia.

To understand Russia's relationship with its Asian identity we are forced to consider the 'uniqueness' of Russia; is it European or Asian, or must it be distinct? And how does its categorisation and self-identification affect its modern day relationship with Central Asia, or with China? Arguing against this notion of uniqueness, Adeeb Khalid describes the perceived uniqueness of Russia as a function of Western European experience.¹⁶ In this understanding, there is much to gain for the 'West' in interpreting Russia as a unique entity by emphasising the cultural and geographical distance between Western Europe and Russia. This sits in contrast to the universalist approach which emphasises the cultural closeness of Russia to Europe, engaging with the literary, artistic and cultural traditions, particularly in the 18th and 19th centuries. Nathaniel Knight, eager to move away from these polarising positions, takes the middle ground between the unique and the universal, suggesting that Russia has 'distinctiveness'.¹⁷ Interestingly, in both these positions it is Edward Said's *Orientalism* that

¹⁵ David Schimmelpenninck van der Oye, *Russian Orientalism; Asia in the Mind From Peter the Great to the Emigration*, (New Haven: Yale University Press, 2011), p. 12.

¹⁶ Adeeb Khalid, 'Russian History and the Debate over Orientalism', *Kritika: Explorations in Russian and Eurasian History*, Vol.1, No.4 (2000), pp.691-92.

¹⁷ Nathaniel Knight, 'On Russian Orientalism: A Response to Adeeb Khalid', *Kritika: Explorations in Russian and Eurasian History*, Vol.1, No.4, (2000), p.703.

provides the basis for understanding, making the process of orientalism itself a universalised experience and equal in its application. Maria Todorova neatly counterpoints the debate by invoking the limitations of this ultimately hermeneutic discussion for application to modern Russian politics and instead reminds us that it is the nobility of the pursuit of knowledge and listening to the 'other' that should drive research.¹⁸ Modernising this debate, and ultimately answering Said's own questions on the applicability of his theory of orientalism on Russia, Vera Tolz looks at the considerable influence that Russian orientalists have had on the work of Edward Said.¹⁹

Therefore perhaps it is Knight's understanding of 'distinctiveness' over 'uniqueness' that is the most useful. We can appreciate Russia as both 'orientalised' as an 'other' to the West, and as an 'orientaliser' to the East. It is important to understand that this rejection of Russia as encompassing a 'pure' European identity is not itself a European construction; Russia has periodically enjoyed distancing itself from Europe and revelling in the 'exoticness' of Chengis Khan and the Kazakh Steppe, choosing to see itself as part of the other.²⁰ Or, in special terms, at times it is a centre of power and at others it creates a marginal power identity locating itself on the edge through strategic choice. At times this lineage has *chosen* to associate itself with the sophisticated government and cultural complexity of China, and the fierce horse-backed warriors of the flatlands. Writers such as Tolstoy performed these ideas in writing, rejecting the European traditions but using the same tools of analysis. During the Soviet-era, Kazakh communists such as Sandzhar Asfendiarov explored the relationship between Islam and communism, fuelling the development of Soviet orientalism and the legitimacy of Soviet Union's role within Islam.

¹⁸ Maria Todorova, 'Does Russian Orientalism Have a Russian Soul? A Contribution to the Debate between Nathaniel Knight and Adeeb Khalid', *Kritika*, Vol.1, No.4 (2000), p.719.

¹⁹ Vera Tolz, *Russia's Own Orient: The Politics of Identity and Oriental Studies in the Late Imperial and Soviet Periods* (New York: Oxford University Press, 2011), p.10.

²⁰ Schimmelpenninck van der Oye, *Russian Orientalism*.

This is important because although this may seem a largely historical discussion, it has repercussions for the political narratives of the present. These layers of orientalism manifest themselves in the Eurasianism of the Putin-led era of Russian politics, blurring the borders in spatio-temporal terms. Kazakhstan becomes a 'third space', one that is defined within Russian territory through the imposition of a Russian presence, but simultaneously is not fully incorporated within Russian identity. It remains orientalised, and ultimately, distant. Actively choosing to reposition Russia as a Eurasian state, as opposed to a European state, allows Putin to legitimise a larger geographical sphere of influence, encapsulating its former colonies and once more using historical justification for present day policy towards Central Asia and FSU states.²¹ This expands the margins of Russian power, and Kazakhstan's increasing autonomy deviates from this position. Kazakhstan takes on some of this identity in what can be understood as what Browning terms a 'structural interpretation of marginality'; it takes on the identity of the 'defensive outpost defending itself against the other'.²²

When President Putin's stooge, the nationalist leader and Vice-Chairman of the Duma Vladimir Zhirinovskii, called for the 'creation of a Central Asian Federal Region ruled by Verny [Soviet name for Almaty]' his words were not taken too seriously by mainstream media.²³ He has been described as both a clown and a neo-fascist, and has used his position to expound anti-Semitic, racist and misogynistic speeches in a bid to rally the masses. Putin, it is reported, uses him to test public opinion on his more radical ideas.²⁴ He represents an extreme position

²¹ See for example Vladimir Putin, Putin, V., 'Address by President of the Russian Federation' 18 March 2014, The Kremlin, Moscow, accessed 15 September 2015, available from <http://en.kremlin.ru/events/president/news/20603>

²² Chris Browning and Pertti Joenniemi, 'Gibraltar, Jerusalem and Kaliningrad: Peripherality, Marginality and Hybridity' in Parker (ed.) *The Geopolitics of Europe's Identity*, p.144.

²³ Radio Free Europe/ Radio Liberty, 'Kazakh Foreign Ministry Protests Zhirinovskiy Comments', Radio Free Europe/ Radio Liberty, 24 February, 2014, accessed 15 September 2015, <http://www.rferl.org/content/kazakhstan-zhirinovskiy/25275475.html>

²⁴ Ibid.

within Russian politics, but none-the-less a position that has been popular with voters keen on re-establishing the foreign policy power of Russia. Where the West sees much of the Second World War as a reverse for the Soviet empire, it is remembered as a great era and celebrated Victory Day by the Former Soviet Union and as a mark of Russian military power. President Putin publicly laments the demise of the Russian Empire and the Soviet Union as among the greatest catastrophes of the 20th century, and has made many speeches as to the importance of Eurasian reintegration as a way of creating a new era of Russian nationalist pride.²⁵ Speaking in 2013, President Putin goes so far to suggest that:

*The 21st century promises to become the century of major changes, the era of the formation of major geopolitical zones, as well as financial and economic, cultural, civilisational, and military and political areas. That is why integrating with our neighbours is our absolute priority. The future Eurasian Economic Union, which we have declared and which we have discussed extensively as of late, is not just a collection of mutually beneficial agreements. The Eurasian Union is a project for maintaining the identity of nations in the historical Eurasian space in a new century and in a new world. Eurasian integration is a chance for the entire post-Soviet space to become an independent centre for global development, rather than remaining on the outskirts of Europe and Asia.*²⁶

²⁵ Vladimir Putin, *Russia's Diversity for the Modern World* spoken at Valdai International Discussion Club 20th September 2013 [transcript available from] <http://valdaiclub.com/politics/62880.html>

²⁶ Ibid.

This was spoken, rather ironically, at an event entitled “*Russia’s Diversity for the Modern World*”. There is nothing pluralistic about this vision of Russian foreign policy, this is not a manifesto for diversity, it is a pledge to bring to heal the former sphere of Russian influence. Several references are made to the illustrious Soviet-era, to the need to regroup the ‘historical space’ of Eurasia and importantly it speaks of the Russian paranoia of becoming irrelevant, of ‘remaining on the outskirts’ of history. This statement places Russia ‘the protector of the Former Soviet Union’ firmly at the helm of a reintegration project to which the Central Asian states are expected to acquiesce. The direct reference to geopolitics should especially be heeded as it is upon the natural resources of the former Russian territory that this speech focuses.

Despite this robust rhetoric, the inconsistency of Russian foreign policy has actually served to empower rising Kazakh autonomy. In the early years of independence, the Central Asian states were largely ignored, financially and administratively cut-off from the centre.²⁷ This left Kazakhstan virtually bankrupt upon independence, forced into a process of what was then termed ‘de-statification’ to avoid further damaging the state debt²⁸. President Putin’s first term as leader was marked by the indifference towards Central Asia, as the Russian leadership turned westward, in an attempt to embrace the geopolitical changes that occurred in the wake of 9/11.²⁹ It was during this time that Kazakhstan developed its expanded industrial base away from the glare of Russian attention. During the era of President Medvedev, a soft-power approach was adopted and focused upon the cultural ties between the two states, but without the economic incentives to solidify the relationship, and a tendency to downplay its role as a mediator in border disputes between the republics.³⁰ By contrast, Putin’s second presidency

²⁷ Martha Brill Olcott, *Kazakhstan; Unfulfilled Promise*, (New York: Carnegie Endowment for International Peace, 2002), p.31.

²⁸ Sally Cummings, *Kazakhstan: Power and the Elite* (London: IB Tauris, 2005), p.31.

²⁹ Roy Allison, ‘Strategic Reassertion in Russia’s Central Asia Policy’, *International Affairs*, Vol.80, No.4 (2004).

³⁰ Konstantin Yevgenievich Meshcheryakov, ‘Two Decades of Russia’s Foreign Policy in Central Asia: Trends and Problems’, *Middle-East Journal of Scientific Research*, Vol.21, No.1 (2014), pp.63-5.

has been characterised by aggressive Eurasianism that he has presided over since 2008, not just in relation to the CIS but also to the majority of the FSU states.³¹ Again, this has not produced tangible economic results, only military strength, as discussed further in this chapter.

Exacerbating this indecision has been the ineffectual foreign policy tool that is the Shanghai Cooperation Organisation (SCO). The SCO was designed as a regional agreement to provide economic and military support between China, Russia, Kazakhstan, Uzbekistan and Tajikistan. The politics behind the creation of this organisation was supposed to provide Russia with a way to manage China's entry into Central Asia and to re-establish a presence in Central Asia. However, this does not appear to have delivered results for Moscow: none of the other member states supported Russia over Crimea, nor in Georgia, and none has officially recognised South Ossetia as an independent state. Similarly, there was no action taken towards peacekeeping duties during the state-led violence that occurred in Kyrgyzstan in 2010. The events were perceived as being 'internal affairs', showing the centrality of state security to the pact, and the outward-facing nature of the perceived security threat.³²

The need to create this constitutional arrangement shows the inability of Russia to forge cooperation between the Central Asian states without an architectural framework.³³ Even within this framework, the SCO has proved most effective at solving only minor border disputes, whilst 'trade and payments, common infrastructure arrangements, trans-border natural resources, intra-regional migration, terrorism, and trafficking in people, drugs and weapons' have yet to be resolved.³⁴ The limits of the extension of Russian power are keenly

³¹ Angela Stent, 'Restoration and Revolution in Putin's Foreign Policy', *Europe-Asia Studies*, Vol.60, No.6 (2008), pp.1089-106.

³² Stephen Aris, 'The Response of the Shanghai Cooperation Organisation to the Crisis in Kyrgyzstan', *Civil Wars*, Vol.14, No.3, (2012), p.452.

³³ Gregory Gleason, 'Inter-State Cooperation in Central Asia from the CIS to the Shanghai Forum', *Europe-Asia Studies*, Vol.53, No.7, (2001), p.1079.

³⁴ *ibid.*, p.1093.

felt in this instance; the SCO helps to define not only the reach of Russian authority, but also to demarcate its limits, and the beginning of marginal power structures competing in the same space.

The shallowness of the military agreement, and China's opposition to introducing this, means that one of the core purposes of the organisation is lost, and with it, a tool for Russia to reconnect with Central Asia. Instead, China has used the SCO as an opportunity to promote its 'good neighbour' policy and strengthen its economic and security sector integration into Central Asia.³⁵ Indeed, the secretariat for the SCO is in Beijing with a majority Chinese workforce. Pakistan and India are officially joining the SCO from 2016, despite recent conflict between Russia and India over arms sales to Pakistan and India's close relationship with the US.³⁶ This may add to stability in Afghanistan in the long term, but that was never a goal of the union. With so much discord between these states where does that leave the CIS states? It is unlikely that the SCO will be useful for the flailing Central Asian integration project, but potentially, the pivot of international attention towards the region may generate economic gains, especially if it facilitates the building of more oil pipelines.

The Kazakh Post-Soviet Identity

The adaptive modern Kazakh identity is a challenge to the Russian state's imagination of Eurasia. The previous section examined the identity politics and foreign policy of Russia towards Kazakhstan and the effects of this on modern political rhetoric, but we need to briefly return to marginality to understand how this narrative is being challenged within Kazakhstan

³⁵ Chien Peng Chung, 'China and the Institutionalization of the Shanghai Cooperation Organization', *Problems of Post-Communism*, Vol.53, No.5 (2006), p.4.

³⁶ Farzana Shaikh, 'India and Pakistan Bring Risks for Shanghai Cooperation Organization', Chatham House, July, 2015, accessed 15 September 2015, <http://www.chathamhouse.org/expert/comment/india-and-pakistan-bring-risks-shanghai-cooperation-organization#sthash.q8KApKZH.dpuf>

by the state and through the lived experience of being Kazakhstani. The literature review showed the conditions by which Parker suggested identity can be a condition of marginality. The seven degrees by which marginality can be internalised by the marginal state, can be used here to determine whether Kazakhstan displays the necessary condition for its sense of identity to be 'open to consideration' in the context of its relationship with Russia.³⁷ In other words, does Kazakhstan go beyond simple recognition of its marginal status and make efforts to create an identity beyond the centre, Russia, and see the potential to redefine the existing patterns of behaviour. Can it be argued that Kazakhstan has gone to the extent of asserting relative autonomy through its identity, which would in turn lay the foundations for the use of tactics aimed at relocating power?

The large Russian population, which lives predominantly in the North and North East regions of Kazakhstan, is a point of vulnerability for Kazakhstan. In a bid to protect the northern territory from Russian advances, the capital was moved from the Southern city of Almaty to a newly created Astana.³⁸ The new capital's geographically central location repopulated the sparse central and northern region. To put this in perspective, Kazakhstan is the ninth largest country on earth with a population of only 16.8 million. Of this, 23% are ethnically Russian, the second largest group after Kazakh, with the vast majority living in the northern *oblasts* (districts). According to the 2011 Gallup poll, the number of ethnic Russians who regard themselves as

³⁷ I) *Being* in a marginal position; II) *Seeing oneself* in a marginal position III) being *conscious of potentialities* that are in facet implicit in being marginal; IV) *Using those potentialities to advantage*; V) on the basis of one's marginality seeing a *potential to redefine* received patterns; VI) including *other's* identities in such a redefinition. Parker, 'A Theoretical Introduction' in Parker (ed.), *The Geopolitics of Europe's Identity*, p.15.

³⁸ The capital was moved to Astana for many reasons. Firstly it provided a more central location for the capital of an enormous country, making the bureaucratic infrastructure more accessible to the remote populations. Secondly it provided a vanity project for the president to create a new vision for the future away from the old soviet capital. And thirdly it did indeed populate an area of land that was predominantly Russian with a Kazakh majority. However, the new capital is essentially defenceless, particularly in the event of a land invasion. It sits on a flat plain, easily accessible from all sides, unlike Almaty which is protected by the Tien Shen mountain range with its 7000m peaks. Astana is in this respect similar to the capital of Belarus, Minsk, with its position on the flat plains of Eastern Europe. The core military bases of Kazakhstan have so far remained in the old capital of Almaty and are all Russian trained troops.

struggling or surviving in Kazakhstan is rising, despite GDP growth of 7.5 % in the same year and those ethnic Russians hold a representative 23.7% of the seats in the Mazhilis (Parliament).³⁹ The perception of a declining standard of living is emerging, even if in real terms the economic forecast is positive. Whilst the 'Russian Problem' has been over-stated in the past, to the detriment of other matters,⁴⁰ this increasing uncertainty is correlated with the rising national rhetoric stemming from Russia. To isolate the Russian population would be dangerous to the Presidency which depends upon popular support in order to perpetuate the autocratic governance structure, and with growing Kazakh patriotism the de facto segregated Russian Kazakhstanis would play into Putin's hands. After all, it has been the defence of ethnic Russians that the President in Moscow has used to legitimate annexing in Eastern Europe.

The sense of vulnerability of this large Russian population in the northern *oblasts* is not unfounded. Consider the recent conflict in Ukraine where the speedy mobilisation of pro-Russian supporters within Eastern Ukraine shows the strong connection between ethnic Russians and Russia itself. The Russo-Georgian War in 2008 showcased the military response that Russia was prepared to project – this included air strikes as well as ground action, and again the mobilisation of the local population of separatist Ossetia already unhappy with Georgian rule. Russia has used this desire to belong, and played with the definition of what it means to be Russian in the build-up to the war by issuing Russian passports to South Ossetians before invading to 'protect' them.⁴¹ Currently being debated in the Duma is a law to grant citizenship to any fluent Russian speaker who lives in the FSU, or has family in the FSU. Surely, Kazakhstan must be aware of the implications of Russian 'protection' occurring on

³⁹ Gallup Poll, 'Kazakhstan National Opinion Poll' conducted by International Republican Institute 17-28th February 2011, accessed 15 September 2015, <http://www.iri.org/sites/default/files/Full%20English%20Version%20Kazakhstan%20IRI%20Poll%20Feb%202011.pdf>

⁴⁰ Timothy Edmunds, 'Power and Powerlessness in Kazakstani Society: Ethnic Problems in Perspective, *Central Asian Survey*, Vol.17, No.3 (1998), p.463.

⁴¹ Andrei P. Tsygankov & Matthew Tarver-Wahlquist, 'Duelling Honors: Power, Identity and the Russia–Georgia Divide', *Foreign Policy Analysis*, Vol.5, No.2 (2009) p.307.

their soil. This legislation would make many Kazakhstanis citizens of Russia and revoke the citizenship of their host state, but would not require immigration upon application.⁴² This is a dramatic change from current heavily bureaucratic legislation that requires 3 years of residence in Russia. This effectively denigrates the sovereign rights of the FSU states to determine the nationality of those that reside within their geographical border, and instead that decision is made by Russia. However, the rising nationalism within Russia may be a thorn in the side of the legislation as rising public fears of immigration and increasingly polarised domestic politics may be unpopular with voters and override the desire of Putin to increase immigration from the 'near abroad'.

In recognition of the 'problem' created by the large northern Russian population to the long term stability of Kazakhstan, the government has engaged in cultural engineering and has taken considerable steps to repopulate this region. Because of the difficulties of learning Russian, many *oralman* (Kazakh repatriates) would prefer to settle in the south rather than the north. As a result, from the 1990s onwards the state has offered financial incentives and established quotas to limit the number of *oralman* who can settle in each *oblast* in a given year.⁴³ Oralman resettled to this region are typically from Turkmenistan, Uzbekistan, Tajikistan and Persian and Turkic language neighbours, attempting to further establish Kazakh cultures rather than Russian language in the north.⁴⁴

During 2013, small acts of resistance against Russian cultural autonomy were observed by the author across the country. These become popular everyday displays of interest and

⁴² Asel Kalybekova, Kalybekova, A., Kyrgyzstan Ponders the Impact of Russia's Citizenship Law Amendments, 2014, EurasiaNet, accessed 16 September 2015, <http://www.eurasianet.org/node/68309>

⁴³ Alexander C. Diener, 'Kazakhstan's Kin State Diaspora: Settlement Planning and the Oralman Dilemma' *Europe-Asia Studies*, Vol.57, No.2 (2005), pp.327-48.

⁴⁴ UNDP, 'Status of Oralman in Kazakhstan', UNDP, 2006, accessed 16 September 2015, http://www.undp.kz/library_of_publications/files/6838-29587.pdf

support for the Kazakh individuality as separate to and above the Russian enforced identity, and represents a display of positive marginality. Roads signs that used to be displayed in Russian and Kazakh are now displayed in Kazakh and English, no Russian translation is shown at all, particularly in the south and around Almaty. Civil society organisations that promote Kazakh culture have been encouraged by the state. More and more events displaying traditional Kazakh culture through music, dance and song have all been sponsored by the state as part of a larger attempt to reconnect citizens with their heritage. Local art galleries showcase works by local artists, focusing upon the suffering experienced during the Soviet-era by a new generation of ethnically Kazakh artists, as well as interaction with Western mediums, whilst nostalgic scenes of warriors and yurts remains popular with buyers at local auctions. Again, this is an assumed culture, one which focuses upon an imagined past of noble nomads designed to encourage a collective Kazakh identity but also projects a lineage that predates Russian influence in Kazakhstan.

What we see here is the artificial extension of the history of Kazakhstan, similar to the project undertaken by Kaliningrad at the end of the Cold War.⁴⁵ Kazakhstan has been working to stretch its history back to the pre-Imperial and pre-Soviet eras of Kazakhstan in order to establish a new identity, unrelated to the Russian-era. At a state level there has been an introduction of new festivals and holidays to counteract Russian aggression since the annexation of Crimea. President Nazarbayev announced a series of festivals over 2015 which would reimagine history to celebrate the birth of Kazakhstan in 1465, albeit acknowledging that the state would have been very different from the present day.⁴⁶ Similarly, the project to rename Kazakhstan as 'Kazakh Yeli' is a project designed to separate Kazakhstan from its

⁴⁵ Chris Browning, 'Contending Discourses of Marginality: The Case of Kaliningrad', *Geopolitics*, Vol.9, No.4, (2004), p.720.

⁴⁶For more information see Joanna Lillis, 'Kazakhstan Celebrates Statehood in Riposte to Russia', *EurasiaNet* January 6 2015, accessed 16 September 2015, <http://www.eurasianet.org/node/71536>.

weaker neighbours to the south and to carve an individual identity.⁴⁷ The name means 'land of the Kazakh people' in the Kazakh language and is again a reflection of the project of autonomy.

Yet, whereas the new Ukrainian government in Kyiv antagonised Moscow through its debate on the role of Russian language, as well as turning to the EU and IMF for solutions, Kazakhstan has remained neutral and seemingly unafraid during the crisis that unfolded. Telephone calls between President Nazarbayev and President Obama and Chancellor Merkel, as well as a visit to President Putin would suggest that the Kazakh government took on a role of mediator, appearing as a voice of calm in the stormy sea. Such a prominent role suggests that the Kazakh leadership was not, or at least did not want to appear, concerned by the developments in Crimea. Domestically, President Nazarbayev has used a long held policy of giving one speech in Russian and another in Kazakh. Kazakh is the official language of Kazakhstan, and whilst the President's bold plan to have 90% of Kazakhs speaking Kazakh by 2025 is looking unlikely to be achieved, it is emblematic of the attempt to create a cleavage with the Soviet past.

Economic Relations between Kazakhstan and Russia

Kazakhstan and Russia publicly acknowledge the importance of their trade partnership to each other. President Nazarbayev has publicly spoken of the 'closeness/naturalness' of the relationship and the 'economic benefit worth millions' to the Kazakh economy.⁴⁸ Similarly, when President Putin has felt more benevolent towards Kazakhstan he has acknowledged the role that it plays in the economy of Russia, particularly in relation to the creation of the much

⁴⁷ The Economist, 'Don't Call Me Stan', *The Economist*, 2014, 22 February.

⁴⁸ Nursultan Nazarbayev, 'Ya by ochen khotel, chtobi nashy stranu uznawali po ludyam nashim', 2008, available from <http://www.kp.ru/daily/24518/666930/>, accessed 25/07/2015.

anticipated Eurasian Economic Union.⁴⁹ The relationship however is not quite as it seems, particularly with regard to the Union.

During the construction of the customs union, the high tariffs appeared to be detrimental to Kazakhstan and favourable to Russia. The reason the tariffs at first appear to have had the most significant impact upon Kazakhstan is because of the increase from 6.5% in external tariffs in 2009 to 10.3% in 2010 – a very large leap for the hitherto increasingly liberal Kazakh trade regime. Russia and Belarus on the other hand saw only a small increase in external tariffs. So whilst this suggests that the union was creating a trade diversion to Russia, upon closer inspection of the total reorganisation of internal and external tariffs of the customs union, it becomes clear that the protectionist policies introduced are those that favour the small Kazakh material export market – wheat, livestock and manufacturing. Russia in fact lowered its internal trade tariffs with Kazakhstan in order to offset the rises in the external trade tariffs that Kazakhstan experienced.⁵⁰ In other words, Russia was willing to experience a tariff increase in order to generate an overall advantage for Kazakhstan joining the union. Furthermore because a large part of the union concerns internal trade tariffs rather than external tariffs there is a reduction in the cost of trade, since supply chains are more easily integrated across the union.

This has been an unequivocal boost to the Kazakh economy as the effects of integration have already been realised through the increase in goods being transported from China to Europe⁵¹

⁴⁹ Russia Today, 'Russia, Belarus, Kazakhstan sign 'epoch' Eurasian Economic Union', *Russia Today*, 29 May, 2014. Accessed 16 September 2015, <http://www.rt.com/business/162200-russia-belarus-kazakhstan-union/>

⁵⁰ Arevik Mkrtchyan, 'The Customs Union Between Russia, Belarus and Kazakhstan: Some Evidence from the New Tariff Rates and Trade Flows', *European University Institute*, 2013, accessed 16 September 2015, <http://freepolicybriefs.org/2013/10/07/the-customs-union-between-russia-belarus-and-kazakhstan-some-evidence-from-the-new-tariff-rates-and-trade-flows/>

⁵¹ Keith Bradsher, 'Hauling New Treasure Along the Silk Road', *New York Times*, 20 July 2013, accessed 16 September 2015, <http://www.nytimes.com/2013/07/21/business/global/hauling-new-treasure-along-the-silk-road.html>

passing through Kazakhstan since the beginning of the union.⁵² The deflationary pressure that resulted from Russian devaluation of the rouble designed to improve the competitiveness of Russian exports outside the Union gave another opportunity for Kazakhstan to act in its own interest rather than with the Union. Kazakhstan responded to Russian economic policy changes early in 2014 by devaluing the *tenge*, effectively entering into a currency war with Russia, in order to equalise its export market prices with that of its Northern neighbour.⁵³ Here we see a clear example of Kazakhstan's ability to set its own economic policy, away from the interests of both the Russian and the supposedly Russian orientated Eurasian customs union, and rebalance itself towards its own economic agenda.

Russian investment into the Kazakh economy had increased slightly as a result of the customs union, but is still far behind the investment levels of the Netherlands and China. Neither is Russia the leading export market for Kazakh goods.⁵⁴ However, this not enough to significantly increase the volume of trade. In terms of export sales, Russia is still lagging behind, as the table below demonstrates.

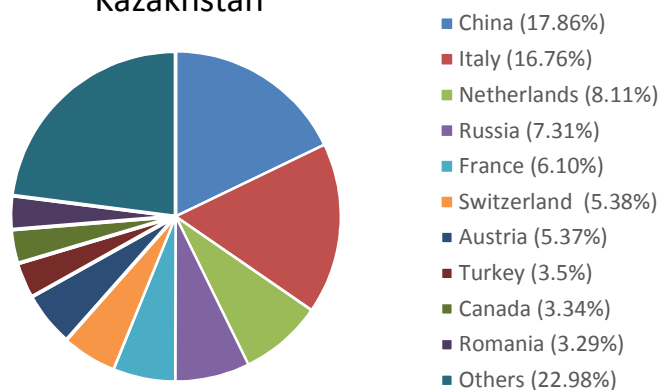
⁵² Arevik Mkrtchyan, 'The Customs Union Between Russia, Belarus and Kazakhstan: Some Evidence from the New Tariff Rates and Trade Flows' Forum for Research on Eastern Europe and Emerging Economies, 2015, accessed 16 September 2015, <http://freepolicybriefs.org/2013/10/07/the-customs-union-between-russia-belarus-and-kazakhstan-some-evidence-from-the-new-tariff-rates-and-trade-flows/>

⁵³ The Russian devaluation was of course the result of the decision to lower the dollar. As a result of the devaluation many countries across the globe were forced to lower their currencies in order to remain competitive in global export market; Argentina, Turkey, Ghana and the Ukraine have all followed suite, with India and South Africa raising interest to achieve a similar effect.

⁵⁴ Tengri News, 'Direct investments of Russia's companies to Kazakhstan to make up \$16 billion in 2013', *Tengri News*, accessed 16 September 2015, <http://en.tengrinews.kz/markets/Direct-investments-of-Russias-companies-to-Kazakhstan-to-make-up-16-billion-in-23645/>

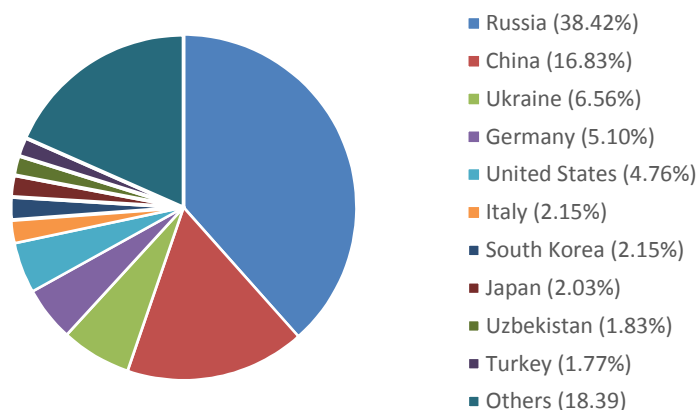
Tengri News, 'RMK to invest \$600 million in Kazakhstan', *Tengri News*, accessed 16 September 2015, <http://en.tengrinews.kz/companies/RMK-to-invest-600-million-in-Kazakhstan-23920/>

Fig. 2 Top Imports Partners for the Republic of Kazakhstan

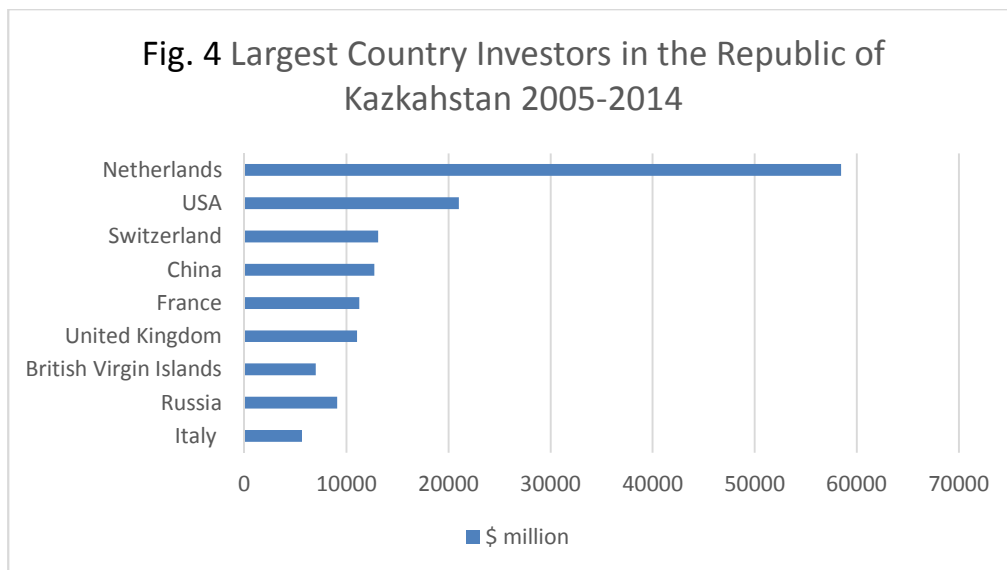


Source material – UN ComTrade Database, United Nations, (2015) available from comtrade.un.org

Fig. 3 Top Export Partners for the Republic of Kazakhstan



Source material - UN ComTrade Database, United Nations, (2015) available from comtrade.un.org



Source material – Government of the Republic of Kazakhstan Government of the Republic of Kazakhstan, 'Invest in Kazakhstan Trade Statistics', Government of the Republic of Kazakhstan.

Russian investment over the last decade has been limited, and as figure 4. shows it has been investing little in the future development of the country. Furthermore, if we break this investment down into sectors it becomes even more apparent as to how far Russia has moved down in terms of investment. Russia is not the primary investor in any of the key industries – wholesale and retail trade, communications, hotels, agriculture, transport, utilities, education, health.⁵⁵ It appears again, at first glance, that where there is a strong economic need for Russia is in the import market, which between the two states is primarily petroleum products. However, as we shall see below, the nature of the oil industry and the transfer of oil products alters the statistics somewhat creating the impression of a single rather than multifaceted exchange of goods.

⁵⁵ Yelena N. Zabortseva, 'Rethinking the Economic Relationship Between Russia and Kazakhstan', *Europe-Asia Studies*, Vol.66, No.2 (2014), p.314.

Furthermore, as discussed in the introduction, the expansion of a center's margins into new territory, can lead to a weakening not a new strengthening of power. Following the annexation of Crimea, in which the borders between Russia and Europe are redrawn, Russia has experienced a weakening of its economy. The economic downturn experienced by Russia has not only affected the Russian economy, and Kazakh investors but also the remittances of migrant workers from across the CIS, who depend upon the strength of the rouble to feed their families, with Tajikistan the worst affected.⁵⁶ In Kazakhstan the opposite problem is occurring; Kazakhstan's tenge has held against the rouble creating a trade imbalance and pushing down the price of domestically produced goods. This has translated into public discontent as shopkeepers and farmers urge Kazakhstanis to 'Buy Kazakh Goods!' and the state to remove Russian meat products from the market in the beginning of what appears to be a trade war.⁵⁷

So far, we have sought to understand Kazakh-Russo relations through key historical and narrative devices that have created the position of marginality, with Russia driving the relationship until independence. We have re-evaluated the relationship between Kazakhstan and Russia in terms of identity and scratched the surface of the economic relationship to reveal that Kazakhstan has internalised the identity of a marginal state, as opposed to peripheral state. More than that, it has sought to alter the identity that it has been 'allocated' by the center. This now allows us to understand how this has been achieved; it supports the notion of tactics used to become a margin, and to project power from a position of marginality. The two areas that need to be examined next are the energy industry and the military. These two areas define the relationship between Kazakhstan and Russia as the 'bargaining chip' of for each state respectively and have the most impact upon the future of the state-state relationship.

⁵⁶ David Trilling, 'Remittances to Central Asia Fall Sharply, as Expected', Eurasianet.Org, 21 April 2015, accessed 16 September 2015, <http://www.eurasianet.org/node/73061>

⁵⁷ Joanna Lillis, 'Kazakhstan and Russia Trading Punches in Import-Export Row' Eurasianet.org, 16 April 2015, accessed 16 September 2015, <http://www.eurasianet.org/node/73006>

Pipeline Politics; Russia, Kazakhstan and post-Soviet Energy Security

We have seen the long-term of strategy of the Kazakh state, 'Kazakhstan 2050' and understand the ambitions that the state has for future growth and the new identity that it wishes to encapsulate. In order to attain this position, Kazakhstan has had to take advantage of the reduced Russian economic capability to extricate itself from the Russian Eurasian policy narrative. Adopting sophisticated tactics, and from the marginality literature, we know that one of the tactics employed by marginal states is to play one centre off against another.⁵⁸ We can see evidence for this movement between two centers of power in the types of contracts that are being signed between Russia and China, and also see the attempts of Kazakhstan to offer itself as an alternative centre. But first we need to understand how Kazakhstan has disengaged Russian interests in the energy sector.

Evidence of how far Kazakhstan has developed in its relationship with its colonial predecessor can be seen in the surprising lack of Russian firms in major Kazakh oil projects; the increased Kazakh ownership of refineries and pipelines; and infighting between Russian firms over Chinese contracts have all contributed to the decline of Russian influence in the Kazakh oil and gas sector. Together, as the following section will show, these amount to far fewer 'hard power' opportunities for the Russian state to leverage control through its engagement with the independent Kazakh energy industry, and increased autonomy on the margins.

Dwindling Soviet Legacy

⁵⁸ Parker, 'A Theoretical Introduction' in Parker (ed.), *The Geopolitics of Europe's Identity*, p.13.

Oil and gas export was as central to the survival of the Soviet Union as it is to present day Russia. The vast reserves of natural resources powered the economic growth of the communist machine, created political bargaining power in Soviet dealings with the West and formed the basis of Soviet integration into world markets. For the Soviet republics operating within the Union, there were no price variations (they were illegal during this period) and all industry directives were planned through the State Committee for Oil.⁵⁹ As a result of the quota system, as opposed to a profit-based system, there was weak efficiency of production and poor responsiveness to changing local demands. The cost of developing oil in what was then the Kazakh SSR was prohibitively expensive because of the weakening technological capabilities of the Soviet Union. Kazakhstan was not unique in this regard, the fields of the Russian Far East and Siberia were equally as under-developed, and attention was not drawn to Kazakh reserves until the 1970s. As a result of this technological failure, the decline in the production of oil and its falling contribution to GDP was as much a cause of the dissolution of the Soviet Union as the structural inefficiencies and defence build-up, resulting in the poor condition of the industry upon the independence of the FSU states.⁶⁰

Consequently, during the last years of Soviet Union, Western firms with higher expertise were welcomed into the Kazakh SSR with production contracts that allowed direct control and ownership over the projects.⁶¹ At this time it was the American firm Occidental Petroleum

⁵⁹ It should be noted that this committee has been subject to multiple name changes throughout the Soviet period of Russian history.

⁶⁰ Douglas B. Reynolds & Marek Kolodziej, 'Former Soviet Union oil production and GDP decline: Granger causality and the multi-cycle Hubbert curve', *Energy Economics*, Vol.30, No.2 (2008), pp.271–89.

⁶¹ Foreign investment in the Soviet Union was common throughout its existence. However, the extent to which firms were able to integrate into the FSU was limited during periods for political and economic reasons. During the first half of the Soviet Union there was high levels of easily accessible oil and gas which required low levels of technological capability or investment in the industry. In the 1920s foreign companies had direct access and rights of ownership in the Soviet Union, but this later changed according to the mandatory autarky advocated by Leninism. Gradually as the need for foreign technology occurs, in the second half of the Soviet Union, foreign intervention in the domestic industry is increased. It is not however until the late 1980s that there are contracts which allow foreign controlled projects and the profits share for foreign firm's increases in the Soviet Union, and it is not until 1987 that these projects are seen in Kazakhstan.

Corporation, the Japanese firm Marunbeni, and the Italian firm Montedison that formed a consortium to extract sulphur and gas from the Tengiz field on the Caspian Sea.⁶² By 1990, the final years of the Soviet Union, in a bid to remain the world's largest energy producer, production sharing agreements were being signed at a rate of one a month.⁶³ So at the end of the Soviet Union, Russian control of its core industry was deteriorating, its technological capability was relatively low and it possessed a diminished ability to become a stable source of investment into the newly independent Republic of Kazakhstan.

Enter the new decade, the new era of independence and freshly liberalised Russian firms enter the Kazakh market – tentatively. To begin with the only projects that attracted attention from Russian firms were the Karachaganak gas field and the Tengiz-Novorossiysk oil pipeline project. As President Putin came to power so interest in the oil and gas fields of Kazakhstan increased modestly with rising investment in the industry, but it was limited to Kazakhstan: there was little interest in the other Central Asian states and there was little reciprocal investment by Kazakh firms in Russia. Small investments continued to be made; Moscow approved the Caspian Consortium Pipeline in 2001 and the borders of the northern sector of the Caspian Sea were decided; Atash and Tub-Karagan were sold to Lukoil in 2003.

Small Market Share

What is significant is not only the amount of money which Russian firms are investing in, but also the type of projects. Currently the three major Russian oil companies – Lukoil, Rosneft and Gazprom - have a small market share and are invested in smaller maturing oil fields. In theory there is a strong level of Russian involvement in the industry; Russian firms are involved

⁶² Mazen Labban, *Space, Oil and Capital* (Routledge Studies in International Business and the World Economy) (London: Routledge, 2008).

⁶³ *ibid.*

in 18 different projects in Kazakhstan including two large fields; Tengizchevroil and Karachaganak. Rosneft owns shares in Kurmangazy (3rd largest Kazakh oil field) and 50% of the small Aday Block in Atyrau. Similarly, Gazprom and Lukoil have an active interest in the gas fields of Khvalynskoye, Tsentralnoye and Imasevskoye. These are sizable projects. In fact, by 2006 the total Russian investment in the whole of Central Asia was approximately \$4-5.2 billion.⁶⁴ Current Russian investment into Kazakhstan has barely increased with the 2012 investment being \$5.3 billion; in fact this is a paltry amount when we consider the investment of China of \$ 23 billion in 2015 alone. Russia lacks the vast reserves of capital at the disposal of some of its rivals.⁶⁵

Whether Russia can improve its position in the Kazakh energy industry depends upon its ability to retain existing contracts, invest in production capacity and efficiency, and gain a larger market share. As of writing Kurmangazy, Khvalynskoye and Tsentralnoy are not yet proven to be commercially viable projects. Because of their potential, if they do become viable they will increase Russia's market share, especially in the natural gas sector as their combined output is predicted at 14-36m tons and 9-24bcm of natural gas by 2020.⁶⁶ However, as we can see from the Kashagan projects, with the best efforts of the world's leading companies they cannot produce oil at the quota or efficiency predicted. In fact Lukoil withdrew from a previous contract at the Zhumbai oil field because of poor returns. As a result the recent Production Sharing Agreements (PSAs) signed between Russian firms and the Kazakh state have reflected the uncertainty of the relationship. However, some of these projects present

⁶⁴ Vladimir Paramonov and Aleksey Stokov, 'Russian Oil and Gas Projects and Investments in Central Asia', Defence Academy of the United Kingdom, 2008.

⁶⁵ Shannon Tiezzi, 'China and Kazakhstan Sign \$23 Billion in Deals', The Diplomat, 28 March 2015, accessed 16 September 2015, <http://thediplomat.com/2015/03/china-kazakhstan-sign-23-billion-in-deals/>

⁶⁶ Kazakh Chamber of Commerce in the USA, Russian Energy Projects In Kazakhstan's Oil And Gas Sector, Kazakh Chamber of Commerce in the USA, accessed 16 September 2015, <http://kazcham.com/russian-energy-projects-in-kazakhstan%E2%80%99s-oil-and-gas-sector/>

the most challenging technical problems and these are perhaps better suited to other countries and more advanced companies.

Reducing dependency on Russian owned refineries

Kazakhstan has taken further steps to head off the aggressive Eurasianism and regain control of its pipeline network. During the creation of Soviet Central Asia, much of the industry's infrastructure, including the pipeline network and refineries, were spread out across the region, extending beyond national borders. As a result, key refineries that process Kazakh raw crude into refined fuels are located over the border in Russia. The refineries and their locations are therefore a legacy of the soviet era. Currently, Kazakhstan produces 1,653,000 barrels per day of oil as a total, whilst its refineries, officially, process only 427,000 barrels per day.⁶⁷ These figures represent the capacity, not even the reality of production and what is more, oil cannot simply be 'diverted' from one refinery to another to accommodate fluctuations in production. In 2013 the three refineries (Pavlodar, Shymkent and Atyrau) finally closed for three years of modernisation, funded in Atyrau by the Chinese government for \$1.1bn to service Sinopec's production quota in the nearby Atyrau drill.⁶⁸ The regeneration is expected to both increase the capacity and to greatly improve the quality of the oil in line with EU regulations allowing Kazakh oil to reach a wider export market.

The specifics are important. The refineries have been a stranglehold on Kazakh independence from Russia for decades as their midstream operations have been dependent upon Russian

⁶⁷ Energy Information Agency, 'Total Petroleum Production', Energy Information Agency (US Government), 204, accessed 16 September 2015, <http://www.eia.gov/countries/country-data.cfm?fips=kz>

And the refinery figures are based upon the following for each refinery of the three major refineries.

Shymkent Refinery (PetroKazakhstan), 160,000 bbl/d , Pavlodar Refinery (KazMunayGas), 162,600 bbl/d, Atyrau Refinery (KazMunayGas), 104,400 bbl/d (16,600 m3/d)

⁶⁸ Reuters, 'China Lends \$1.1 bln For Kazakh Refinery Upgrade', Reuters, Wednesday 6th June 2012, accessed 15 September 2015, <http://www.reuters.com/article/2012/06/06/oil-kazakhstan-china-idUSL5E8H667N20120606>

political will. In 2013 we can see the beginning of Kazakh autonomy over its midstream starting to take effect. Because of the refinery closures, Kazakhstan and Russia entered into an agreement that Kazakhstan would exchange crude oil for refined products with Russia in order to meet their export agreements.⁶⁹ As a result of Russian unwillingness to agree a price for the crude that was shipped to Russia, and because the Customs Union prevented the operation of an internal tariff, Kazakhstan was selling the oil for less than the market price. To force negotiations with the Russian government, the Kazakh state instead stopped importing Russian refined products, choosing to use China's refineries instead. Not only was this a display of strength from the Kazakh state in negotiations, but it also illustrated that Russian refineries were no longer the only option and that China was a willing partner to Kazakhstan, offsetting Russian interests.

Reducing dependence on Russian operated pipelines

Similar encouraging developments of Kazakh independence have been observed in the pipeline networks, which again are dominated by Russian firms. Again, because of the Soviet legacy, Kazakhstan's oil pipelines were designed to export to Russia, and link to the refineries in Russia on their way to delivery across the FSU. Whilst smaller amounts of oil are transported by tanker across the Caspian Sea, Kazakhstan is still a landlocked country further increasing its dependency on the pipeline network. This gave Russia almost complete control over the Kazakh pipeline network. This has gradually been changing since Kazakh independence but the reality is that Russia still retains strong control over the majority of the Kazakh distribution system.⁷⁰ The majority of deliveries are transported along the Black Sea route via Russia,

⁶⁹ Rianovosti, 'Kazakhstan Seeks Russia Oil Product Import Cut, Pipeline and Gas Journal', 2013, accessed 16 September 2015, <http://en.ria.ru/business/20130130/179124175/Kazakhstan-Seeks-Russia-Oil-Product-Import-Cut.html>

⁷⁰ Pipeline & Gas Journal, 'Kazakhstan To Retain Majority Ownership of Pipelines', *Pipeline & Gas Journal*, August 2012, Vol.239, No.8, accessed 15 September 2015, <http://www.pipelineandgasjournal.com/kazakhstan-retain-majority-ownership-pipelines>

particularly from Atyrau, whilst small capacity pipelines connect Kazakhstan with the Mediterranean via Azerbaijan, and the newly completed Kazakh-China pipeline. Oil is still imported from Russia to the industrial north of Kazakhstan because there is not the domestic infrastructure to support internal transport.

In a bid to revise this, the Kazakh state has made significant progress in gaining distributive independence. Firstly, it invested oil revenues and sought FDI from China for the development of its domestic pipelines, despite the low domestic oil prices, through the creation of the Kazakhstan Caspian Transportation System. The most significant aspect of this project has been the changes in legislation that are part of the larger repatriation project within the industry. The government recently passed legislation that KazTransOil, the national oil pipeline operator, must be the majority owner of any new pipelines built on Kazakh soil. This ensures that the future pipeline project from Yeskene to Kuryk carrying oil from the Kashagan project will be Kazakh owned. This pipeline will transport a significant amount of oil, estimated at some 1.12 million barrels per day.⁷¹ Not only is this a positive step towards curbing dependence upon Russian pipeline reliance but also points to Chinese and other consortium lead pipeline projects planned in the future.

For natural gas, the pipeline network is more closely controlled by Russian interests and contains less potential to reduce dependency on Russia in this specific case. Yet again, poor infrastructure and the Soviet historical legacy, leaves the whole of the Central Asian gas export system designed for transport to Russia. As a result gas is imported into South Kazakhstan from Uzbekistan at the same time that it is being exported from the northern gas producing regions. KazTransGaz, the national pipeline operator, is working on connecting the producing

⁷¹ Ibid.

and consuming regions, which are of course the industrial and populated heartlands of Kazakhstan, and the key to growing the Kazakh economy away from its dependence on natural resources as a source of GDP. Of the two main pipeline networks, the northern gas network is the most dependent upon Russia as the network is operated entirely by Gazprom. The Central Asia Centre Pipeline is controlled by Gazprom and the other two pipelines (the Bukhara-Urals and Bukhara-Tashkent-Bishkek-Almaty pipelines) which Kazakhstan acts as a transit state for are also Gazprom owned, which raises issues of the rent that Kazakhstan can extract from the Russian giant.

Infighting between Transneft and Rosneft

Infighting between Transneft and Rosneft, and increasing Kazakh confidence has further weakened the Russian pipeline giants bargaining position in what is in effect a prisoner's dilemma over Chinese oil deals.⁷² The lack of coherence between the two strategies shows a discord between the two firms similar to the relationship between Sinopec and CNPC. As with the Chinese firms, this discord helps to dispel the myth of an all-powerful leadership with total control over domestic energy companies. The competition between firms suggests that they act more independently than previously considered. In looking for additional capacity to pipe oil to China, Transneft blocked plans for its competitor Rosneft, instead bidding for an alternative contract via Mongolia. Kazakhstan offered, for a price, to allow Russian oil to be pumped through the Atasu-Alashanko section of the pipeline once the expansion had been completed.⁷³ However Igor Demin, of Transneft, was quoted as saying that 'Kazakhstan is prepared to offer a discount for transiting [Russian] crude via the Atasu-Alashanko pipeline,

⁷² Transneft is the Russian state-owned pipeline company and the largest of its kind in the world and Rosneft is the Russian state-owned oil company.

⁷³ Ben Priddy, 'Transneft Opposes Rosneft Plans to Increase Chinese Oil Supply', Oil & Gas Journal, accessed 15 September 2015, <http://www.oilandgaseurasia.com/en/news/transneft-opposes-rosneft-plans-increase-chinese-oil-supply-kazakhstan>

then push us out of business to pump its own oil'.⁷⁴ This suggests that not only are the Russian firms in competition with each other, and not acting in the Russian natural interest, but also that these large Russian international firms do not expect the Kazakh government to be subservient. The government is now anticipated, in this game for contracts, to be an autonomous actor, acting in the state's best interest.

Together, the dwindling legacy, small market share, reducing reliance upon refineries and pipelines, coupled with the infighting between ROSneft and Transneft has allowed Kazakhstan to gain greater control over its energy industry than has previously been the case.

Kazakh Military Dependence

Whilst Russian interest in the Kazakh economy might have waned post-independence, it has certainly remained significant to Moscow's military strategy. The Central Asia countries are not regarded as important in their own right, but are routinely conceptualised as buffer states to distance large and powerful neighbours, or as land-passages to gain unfettered access to other regions.⁷⁵ The War in Afghanistan, lasting for almost a decade and a half, has attracted further security attention to the region, as extra-regional states jostle to once more use Kazakhstan and its neighbours as the pathway to a conflict destination. Kazakhstan became a key chain in the Northern Distribution Network for allied forces to transport goods and equipment to the conflict in return for financial remuneration.⁷⁶ Furthermore, in a symbolically important as well as pragmatic decision, Kazakhstan used the opportunity to send officers with

⁷⁴ Russia Today, 'Russian oil could take Kazakh route to China in 2014', Russia Today, March 2013, accessed 15 September 2015, <http://www.rt.com/business/russia-china-kazakhstan-oil-869/>

⁷⁵ Sally Cummings, 'Eurasian bridge or Murky Waters Between East and West? Ideas, Identity and Output in Kazakhstan's Foreign Policy', *Journal of Communist Studies and Transition Politics*, Vol.9, No.3 (2003), pp.139-55.

Dmitri Trenin, 'Southern Watch: Russia's Policy in Central Asia', *Journal of International Affairs*, Vol.56, No 2. (2003), pp.124-5.

⁷⁶ Andrew Kuchins & Thomas Sanderson, 'The Northern Distribution Network and Afghanistan; Geopolitical Challenges and Opportunities', Centre for Strategic and International Studies, Washington DC, January 2010.

the US military for training in Afghanistan to enhance its own security forces.⁷⁷ However, the War in Afghanistan and increased presence of American military power in the region refocused Russian military attention back upon Central Asia, as exemplified through the building of Russian airbases in Osh, Kyrgyzstan, and as such, the republics face a stronger contiguous military presence. Kazakhstan, with its long continuous northern border, is particularly vulnerable to Russian military aggression and sits within range of various missile bases.⁷⁸

While Kazakhstan has successfully managed to extricate itself from the Russian economy, it has become ever more deeply entrenched in the Russian military complex. The modern military was created during the Kazakh SSR and as a result its military strategy, procedures and culture remain predominantly Russian, as does its officer class. Russia remains the core military relationship for training and equipment and the core of its operational military doctrine is still based upon Russian principles, unlike other states in the CIS countries which have established more a perfunctory relationship.⁷⁹ The depth and breadth of Russian influence impacts upon the ability of Kazakhstan to exercise autonomy and independence in its military strategy through path dependency of its leadership and through the continued exchange of information. Before the break-up of the Soviet Union, the Red Army was decentralised from Moscow into national jurisdictions, thus continuing the institutional memory of the Soviet system in the newly created states. The same management personnel were employed and the same doctrines amended again and again over the next decade, still drawing on Soviet strategic culture, rather than taking the opportunity of a new vision for the role of the military, and indeed it is this process that has produced the current Military Doctrine 2011.⁸⁰

⁷⁷ Roger McDermott, 'Kazakhstan's Emerging Role on The War on Terror' *Jamestown Foundation Terrorism Monitor*, Vol.2, No.10 (2004).

⁷⁸ Joshua Kucera, 'While Astana Suspends Russian Military Testing, Moscow Deploys Missiles To Kazakhstan Border', 'Eurasianet', 31 March 2014, accessed 15 September 2015, <http://www.eurasianet.org/node/68209>

⁷⁹ Vladimir Germanovich Burkov, 'Russian-Kazakhstani and Russian-Uzbekistani relations: opposing models of political and military alliances', *Life Science Journal*, Vol.11, No.11, (2014), pp.236-38.

⁸⁰ Roger McDermott, *Kazakhstan's 2011 Military Doctrine: Reassessing Regional and International Security*, (Fort Leavenworth: Foreign Military Studies Office 2011).

The important questions with regard to the Kazakh military are who is protecting whom, and from what? The external threats are limited and those that can conceivably be thought of as a military threat, Russia, are heavily embedded within the apparatus. Upon their creation, the Kazakh military was brought under the direct control of the president, again in Soviet fashion, rather than embracing the additional civilian budgetary oversight by assemblies that one might expect in a Western system. Furthermore, the allocation of military equipment to each of the Central Asian states was not equal; again, as with the allocation of natural resources, this was intentional on the part of the Soviet leadership and designed to create unease and hostility between neighbours rather than a unifying force against Russia. Rent seeking behaviour has encouraged dependence upon cheap Russian equipment. Kazakhstan is now Russia's most expensive military ally.⁸¹ Despite Kazakhstan having the ability to finance its own air system, it has chosen to accept the offer from Moscow of a free air defence system (the S-300PS anti-missile and anti-ballistic defence system), to replace the now obsolete Soviet era models currently in use by five battalions.⁸² Altogether this creates a military organisation that is on the one hand paid for by a foreign aggressive state, with Soviet military strategy engrained in its strategic culture, but on the other hand is under the direct control of the President effectively creating a private military. This blurs the lines between the leadership and ultimately corrupts the boundaries of who the military is designed to protect.

These confusing circumstances are further compounded when we consider the military build-up in the Caspian Sea. The littoral states, Iran, Russia, Kazakhstan, Azerbaijan and Turkmenistan, are engaging in an unnecessary and expensive arms-race in this inland sea.

⁸¹ Andrzej Wilk, 'Kazakhstan is Russia's Most Expensive Military Ally', Ośrodek Studiów Wschodnich/ Centre for Eastern Studies, 2 May, 2014, accessed 15 September, <http://www.osw.waw.pl/en/publikacje/analyses/2014-02-05/kazakhstan-russias-most-expensive-military-ally>

⁸² *ibid.*

Azerbaijan and Turkmenistan have been fighting over the demarcation of borders for the inclusion of a tiny but oil rich portion of the sea which hinders stability in the region and encourages Russian intervention in the region.⁸³ Cooperation between these two states increases the likelihood of the trans-Caspian pipeline, which by-passes Russia and supplies gas to Europe directly, thereby reducing the Russian monopoly of gas in Europe and impacting Russian leverage.⁸⁴ Whilst Russia aims to add another 16 ships to its flotilla by 2020, Kazakhstan has been indulging in its own military revamp. In 2011 a Russian newspaper was sent a map showing the war games exercise simulating an aerial attack from Iran.⁸⁵ Furthermore, Astana has attracted arms dealers and ship dealers from Europe, Turkey, and Russia, and is in negotiation to purchase the renowned Exocet anti-ship missile from European consortium MBDA.⁸⁶ Iran has not been idle either; it has built a navy from virtually nothing at Soviet independence to a fleet of 100 missile boats, two are equipped with Chinese C-802 anti-ship missiles.⁸⁷ With all this tension building on the edge of the Caspian, what are the core challenges facing Kazakhstan's military?

According to President Nazarbayev, the preeminent challenge facing his 'global security strategy' is the 'acceleration of the course of history'. As a source of risk this is a rather nebulous threat, along with nine other precepts that have formed the basis of 'Kazakhstan 2050' and guided the reform of the 2011 Military Doctrine of Kazakhstan.⁸⁸ Whilst the language

⁸³ Shahin Abbasov, 'Azerbaijan & Turkmenistan: Renewing Caspian Sea Energy Dispute', *EurasiaNet*, 11 July, 2012, accessed 15 September, <http://www.eurasianet.org/node/65646>

⁸⁴ Dmitry Shlapentokh, 'Turkmenistan and military Buildup in the Caspian Region: A Small State in the Post-Unipolar Era', *Journal of Eurasian Studies*, Vol.4, No.2 (2013), p.155.

⁸⁵ Periscope, '«Московский комсомолец»: Россия готова сражаться за американскую нефть' *Persicope*, 26 September, 2011, <http://periscope2.ru/2011/09/26/4822/>

⁸⁶ Joshua Kucera, 'The Great Caspian Arms Race', *Foreign Policy*, 22 June 2012, accessed 15 September 2015, <http://foreignpolicy.com/2012/06/22/the-great-caspian-arms-race/>

⁸⁷ *ibid.*,

⁸⁸ Address by the President of the Republic of Kazakhstan, Nazarbayev, N., 'Strategy Kazakhstan-2050': New Political Course Of The Established State', 14 December, 2012, accessed 15 September 2015, http://www.akorda.kz/en/page/page_address-by-the-president-of-the-republic-of-kazakhstan-leader-of-the-nation-n-nazarbayev-%E2%80%9Cstrategy-kazakhstan-2050%E2%80%9D-new-political-course-of-the-established-state%E2%80%9D_1356091973

of the strategy may be full of gestures intended to enthuse and awe its audience, the Doctrine itself clearly outlines some specific perceived threats to the Republic – the situation in Afghanistan, border and water disputes, and the *legal status of the Caspian Sea and the dispute over oil fields*.⁸⁹ What the decree does not explicitly make clear from these last two points is that the main military threats that Kazakhstan faces are from Iran over the Caspian Sea, and Russia through oil and border threats, or the vulnerability that it faces as a state with no nuclear weapons, no military experience and a deeply entrenched Soviet martial mentality. Nor does it mention the mutual distrust between the Central Asian neighbours.

Moscow has long seen the military, rather than economic or political ties, as the key to continuing its goals of Soviet-styled ‘core-periphery’ relations, together with security and intelligence services.⁹⁰ Rather than viewing this as a unilateral relationship, the military affiliation/integration can be seen as an extension of Russian policy towards Kazakhstan more generally, to which the Kazakh government has developed cautious responses. In an attempt to overcome this, Kazakhstan has made some attempts to overcome this deficiency, even if it has not achieved meaningful progress. Security Sector Reform (SSR) in Kazakhstan requires moving beyond Western notions of security, and beyond the Anglospheric ‘securitization’ of security reform that has defined the post-9/11 era. Reform has not necessarily been congruent with Western understandings of security sector reform; namely to create a democratic system

⁸⁹ Original Text - Транснациональный характер приобрели проблемы наркотрафика и незаконной миграции. Нерешенность вопроса о правовом статусе Каспия, стремление некоторых прикаспийских государств к увеличению своего военного потенциала и наличие спорных нефтяных месторождений могут вызвать в перспективе обострение военно-политической ситуации в регионе. Характер угроз военной безопасности претерпел значительные изменения.

Taken from Presidential Decree No. 161, Military Doctrine of the Republic of Kazakhstan, October 11, 2011 [available from] <http://mod.gov.kz/mod-en/index.php/2009-06-26-02-25-27>.

⁹⁰ Erica Marat, *The Military and the State in Central Asia: From Red Army to Independence*, (London: Routledge, 2011), p.4.

of governance with civilian oversight and human security as core values of defence, or to address the political goals of the Global War on Terror.⁹¹

Kazakhstan is not attempting to transition from war to peace, nor from an authoritarian to a democratic regime, but instead from Soviet to Kazakh. The rules of transformation are self-generated by the state, in accordance with its own conventions, norms and agenda. In this sense, it is moving beyond the earlier conceptualisations of transition, which interpret transition as a linear movement, from one condition to another, and ultimately, there is no 'sequential process of normalisation' taking place.⁹² As such the end process of Kazakhstan's reform should not be considered as having a singular desirable outcome, and instead understood as being embedded within the social, economic, political and cultural geography of its location.⁹³ In 'Western' understandings of security sector reform, military transformation is seen as being a key component of the development process, helping to define the parameters of the state, but in Kazakhstan, the military has neither been reformed nor prioritised, remaining subservient to the development of other sectors of the economy until very recently. Indeed, between 1995 and 2010 Kazakh defence spending averaged 1.1% of GDP, which meant a gradual increase from \$359m to \$1,502m; a modest budget for a country, developing or otherwise.⁹⁴ This all changed when Finance Minister Bolat Zhamishev announced in the 2013-15 budget for defence spending that there is a 23.3% increase to \$8.6 billion during this period.⁹⁵ These budget increases have of course come from the Kazakh government, to

⁹¹ Mark Sedra, 'Introduction: The Future of Security Sector Reform', in Mark Sedra (ed.), *The Future of Security Sector Reform* (Ontario: Centre for International Governance Reform, 2010), pp.16-18.

⁹² Timothy Edmunds, *Security Sector reform in Transforming Societies: Croatia, Serbia and Montenegro*, (Manchester: Manchester University Press, 2007), p.9.

⁹³ *ibid.*, p.10

⁹⁴ The SIPRI Military Expenditure Database, '*Stockholm International Peace Research Institute*', accessed 15 September 2015, <http://milexdata.sipri.org/result.php4>

⁹⁵ TengriNews, 'Kazakhstan Increases Military Spendings', *TengriNews*, 29 August, 2012, available from <http://en.tengrinews.kz/military/Kazakhstan-increases-military-spendings-12539/>

provide wage increases, rearmament and general improvements to the military, but this new presidential interest in the military has also been funded by outside sources.

International organisations have attempted to improve/intervene in the regional SSR process, but should they do so? The most effective has been the OSCE, which has worked to improve and professionalise counter-terrorism training.⁹⁶ However this has been without working to strengthen the processes of governance, allowing the elites to engage in predatory behaviour meanwhile.⁹⁷ The clearest example of this has been the issue of the Zhanaozen massacre which occurred shortly before Kazakhstan's chairmanship of the OSCE,⁹⁸ and before which the OSCE should have held the government accountable for its actions. Here the OSCE shows the limits of its ability to engage in meaningful dialogue and effect change. The Central Asian states have also engaged with the EU in a small way. Through the European Commission Support to Justice and Security Sector Reform program and the Regional Assistance Strategy to Central Asia, the EU has donated €10 million, which has been more focused upon the governance issues surrounding the reform process.⁹⁹ Reform is necessary to the development of Kazakhstan, but who benefits from the improved military capability, the state or the people?

Roger McDermott concludes that this sudden interest in developing the military has all been to satisfy the vanity of President Nazarbayev, that he wants to create what he calls a 'Strong Army-Strong Kazakhstan' and that it appeals to a regime that is increasingly focused upon

⁹⁶ OSCE, 'OSCE Annual Report; 2011', OSCE, March, 2012.

⁹⁷ Alexander Cooley, *Great Games, Local Rules; The New Great Power Contest* (New York, Oxford University Press, 2012).

⁹⁸ Jos Boonstra, Erica Marat & Vera Axyonova, 'Security Sector Reform in Kazakhstan, Kyrgyzstan and Tajikistan: What Role for Europe?', *FRIDE*, Working Paper 14, May 2013.

⁹⁹ *ibid.*

status symbols, and suggests that it will provoke a response by neighbouring states.¹⁰⁰ However, there are positive externalities to the military build-up and a functioning modern defence network is a cornerstone of developing countries. Furthermore, the more experience the Kazakh military is able to gain away from Russia and FSU countries, the more independence it will have in military matters. The arrest in 2009 of the Kazakh Defence minister over receiving bribes from Israeli defence manufacturers is a hint at the small signs of resistance to Russian domination of Kazakh security.¹⁰¹ Until 1999, the Kazakh military was solely dependent upon Russian suppliers, but gradually Nazarbayev has diversified the source of arms to include some of the world's more established and 'up and coming' arms manufacturers including Ukraine, Spain, Turkey, South Korea and during 2004 primarily, the United States. There is not necessarily a link between military spending and military capability; a lack of real experience and an incoherent doctrine mixed with difficult geographical factors including disconnects between military regions and senior personnel who command them hinder Kazakhstan's defence capabilities. Fortunately, whilst the link between natural resources and violent conflict has been strong in a majority of low level democracies, Kazakhstan has so far avoided this problem.¹⁰²

As of today, Kazakhstan has also managed to avoid the fate of its neighbours, Georgia and Ukraine, which have both felt the sharp end of Russian rhetoric and its obvious disregard for their sovereignty. The Kazakh government has used a variety of foreign policy techniques to integrate itself within a wider security and economic framework that expands across multiple platforms and inter-regional groupings that are non-Western led. A point has been made of

¹⁰⁰ Roger McDermott, 'Nazarbayev Promises Modernized Armed Forces in Kazakhstan', *James Town Foundation*, Vol.10, No.91 (2013).

¹⁰¹ Yossi Melman, 'Kazakh Minister Arrested in Israeli Arms Sales Bribe Case', *Haaretz*, 14 April, 2009, accessed 15 September 2015, <http://www.haaretz.com/print-edition/news/kazakh-minister-arrested-in-israeli-arms-sales-bribe-case-1.274065>

¹⁰² UNEP & UNDP 'The Role of Natural Resources in Disarmament, Demobilization and Reintegration; Addressing Risks and Seizing Opportunities', accessed 15 September 2015, http://postconflict.unep.ch/publications/UNEP_UNDP_NRM_DDR.pdf

entering into a myriad of security and economic agreements; Commonwealth of Independent States, Eurasian Economic Community, Eurasian Customs Union, Collective Security Treaty Organisation, Shanghai Cooperation Organisation and the Economic Cooperation Organisation. This spreads Kazakhstan's allegiance to its Central Asian neighbours, its alliance with the other Turkic populations, Russia and China, as well cooperating with the US and the EU over regional security matters.

It also raises a significant question: In the event of military intervention by Russia in Kazakhstan, would China protect its investment? A military intervention is highly unlikely, but the recent developments in Ukraine and Georgia, and China's increasingly significant economic interests for the state and its firms in the Kazakh oil industry and through deals to improve economic infrastructure should nevertheless concern China's policy makers. Understanding Russia's attitude towards the sovereignty of the former USSR states should raise questions of how long China can remain politically and militarily inert whilst economically active overseas. Kazakhstan represents the most economically stable of China's bordering states and reduces the geopolitical dependency on transit states in the quest for energy security. What is Kazakhstan worth to the future of China's economic development? Can Russia convince China's state and firms that it can become a reliable trading partner? Does Russia need to offer regional reassurance?

The intelligence services are another important source of Russian influence in Kazakhstan, and indeed across the CIS. This is to be expected, since the original intelligence services of Kazakhstan were formed during the Soviet era and therefore retain the cultural legacy through structure and training, and the employment of many of the same staff.¹⁰³ Furthermore, it is in

¹⁰³ Stephane Lefebvre & Roger N. McDermott, 'Russia and the Intelligence Services of Central Asia', *International Journal of Intelligence and Counter-Intelligence*, Vol.21, No.2 (2008), p.253.

the best interest of Russia to propagate good relations with the security services, as there is a personal and visceral belief by staff at the Foreign Intelligence Service, the SVR (formally KGB), that the CIS states are in fact still part of Russia.¹⁰⁴ It is not thought that the Kazakh-Russian security service relations are as deep as Russian engagement with other FSU states such as Belarus, where Lukashenka is regularly briefed by the head of the SVR and engages in joint exercises.¹⁰⁵ This creates a problem for the West and for China, as the FSU states are often used by Russia to secure information from third parties who are less suspecting of these smaller, 'friendlier' states. Similarly, the FSB (the Russian Domestic Intelligence Services) has integrated itself into the CIS Anti-Terrorist Centre in neighbouring Bishkek, Kyrgyzstan and the centre now receives half of its budget from the FSB.

In recent years there have been some attempts at restructuring the security services of Kazakhstan, and even incorporating intelligence gathering in Russia into the agenda.¹⁰⁶ The original foreign intelligence service of Kazakhstan, the Barlau, was a small office that formed part of the Committee for National Security. Whilst the agency was certainly no longer fit for purpose for the increasingly developed state, an embarrassing incident may have hastened the development of a new agency. The former son-in-law of the President, Rakhat Aliyev, was a diplomat in Austria when he was convicted *in absentia* of various offences of bribery, corruption and planning a coup. Alnur Mussayev, a former Kazakh intelligence chief was cleared of all charges. Vadim Koshlyak, a former security adviser was sent to recover the son-in-law from Austria, but Aliyev died whilst in police custody and was found dead in his cell.

¹⁰⁴ Denis Trifonov, 'Russian Intelligence Presence in The CIS', *The Central Asia-Caucuses Analyst*, 17 December, 2003.

¹⁰⁵ Paul Goble, 'Belarusian spy agencies' cooperation with Russian ones in Lithuania highlights larger problem', *Euromaiden Press*, 31 March, 2015 [available from] <http://euromaidanpress.com/2015/03/31/belarusian-spy-agencies-cooperation-with-russian-ones-in-lithuania-highlights-larger-problem/>

¹⁰⁶ Janes Intelligence, 'Kazakhstan's new Foreign Intelligence Services', WikiLeaks, 21 March, 2009, accessed 15 September 2015, https://wikileaks.org/gifiles/docs/63/63743_kazakhstan-s-new-foreign-intelligence-services-.html

The affair generated intense scrutiny of Kazakhstan and its human rights record, and embarrassed a range of intelligence and security services across Europe.¹⁰⁷

Now the Barlau has been turned into a small but better functioning unit called the Sybar - an independent agency directly answerable to the President, in yet another consolidation of power towards Nazarbayev.¹⁰⁸ Little is known about the remit of the intelligence agency but it is likely to be interested in dissidents living overseas, particularly in China and in Afghanistan and Pakistan, or those that have joined ISIS in Iraq and the Levant region. According to the head of the intelligence services in Kazakhstan, Nurtai Abykaev, there are currently 300 Kazakhs that have joined ISIS, with half that number being women.¹⁰⁹ It is likely that this will be of significant interest both to Kazakhstan, monitoring returning fighters, but also to the Russian intelligence services, constituting an important subject of common interest and continued convergence.

Conclusion

Being marginal does not equate to being passively assigned power, but to have taken active steps to establish an autonomous position on the edges of power. Despite the attempts of Russia to cultivate a construction of Central Asia as a dangerous 'other' allowing it to take on a role as 'protector' and intermediary for the West, this narrative has been interrupted. Kazakhstan has created a separate identity, one that is not dependent upon Russian narratives of history. It has sought to, and succeeded in, altering the economic make-up of the country in order to create an energy industry that is increasingly holding its own, regardless of

¹⁰⁷Johannes Dell, 'Epic murder trial tests Austrian justice', *BBC News*, 10 July 2015, accessed 15 September 2015, <http://www.bbc.co.uk/news/world-asia-32922277>

¹⁰⁸ *ibid.*

¹⁰⁹ Joanna Paraszczuk, 'Kazakhstan Intelligence: 150 Kazakh Women Are Members Of IS', *Radio Free Europe/Radio Liberty*, 25 August 2015, accessed 15 September 2015, <http://www.rferl.org/content/under-black-flag-kazakhstan-kazakh-women-islamic-state/26698040.html>

the often misguided management choices. Russian disinterest and changing political commitments to the region have also played their part, as Central Asia oscillated on and off Russia's political agenda creating a weak form of marginality. The large Russian population continues to raise questions for Kazakhstan, but by learning from the example of Ukraine, hopefully Kazakhstan can avoid a similar trajectory.

But as Kazakhstan loosens its ties through the energy industry, it has tightened them through the security sector. The increased military procurement through Russia, the training schedules and the Soviet era connections retain close links between the two states creating an imbalanced relationship. What use is the effort expended in trying to disentangle the energy industry if the military union remains so strong? Perhaps in this case, it is better to ask, if you have to invade another country to control it, do you really have control at all? The imagined community that Russia has generated through a common language and culture and shared historical connections are not as strong as they once were in many FSU states, including Ukraine.¹¹⁰ This disjuncture is apparent with Kazakhstan. The rejection of a shared historical connection is instead replaced by a new narrative that invokes a sense of nationhood extending beyond the current Soviet-era creation. The side-stepping around issues of the continued use of the language suggest a reluctance to confront the controlling nature of Russian Eurasianism rather than a soft power attraction to Russia.

Kazakhstan has/is assuming a separate identity and an incremental programme of change designed to separate itself from the center, despite the aggressive Eurasianism that is a feature of modern Russian foreign policy. The tactical aspects of this change are apparent in its relations with another neighbouring center of power – China. It is also by exploring the East

¹¹⁰ Valentina Feklyunina, 'Soft power and identity: Russia, Ukraine and the 'Russian world(s)', *European Journal of International Relations*, Vol.28, No.3, (2014) pp.463-486.

Asian dimension that we can start to see how this autonomy from Russia has led to Kazakhstan's attempt to realign align itself within the lucrative role that Russia would normally occupy: energy supplier to East Asia.

Chapter 6

Kazakhstan and China: Is Mercantilism ‘Going Out’ in Kazakhstan?

In Kazakhstan, China is everywhere and yet nowhere. There are no visible signs that China's border is a bus ride from Almaty, the most populous town in Kazakhstan, there is only a tiny Chinese immigrant population present in the country, very few shops or restaurants, and no obvious cultural exchange. Moreover, even to discuss the role of China in Kazakhstan is a rather delicate subject meaning that the degree to which the two states interact is not commonly appreciated. Despite this everyday reluctance to appreciate or embrace the changing dynamics, the unspoken reality is that Russia is no longer the most important actor in Central Asia. Despite only entering the market in 1997, China has made significant incursions into Kazakhstan's economy and oilfields. As of 2013, Chinese companies control 40% of the Kazakh oil and gas market, more than the stake of the government of Kazakhstan, and more than any other country.¹ In a republic searching for an identity to help it to bind and redefine its collective memory, the presence of an interloper with a long term strategy of securing natural resources and a quietly assertive foreign policy is not welcome. The Kazakh government has shown itself to be adept at shaping outside interest, but these latest acquisitions by Chinese firms may begin to tip the delicate balance away from Kazakh national control.

Within this strange mixture of connection, emersion and rejection, both countries are united through their experiences of externally driven mythologies and narratives. Just as the 'Great Game' narrative has obscured Central Asia, so China has also long been cloaked with

¹Tengri News (2012) '*Kazakhstan's Kashagan tagged world's most expensive energy project*' 29th November [accessed 13 January 2014] available from http://en.tengrinews.kz/industry_infrastructure/Kazakhstans-Kashagan-tagged-worlds-most-expensive-energy-project-14913/

misperceptions and imagined Orientalist attributes.² The over-arching construct has ranged from poor stereotypes to racist discourse in much of mainstream Western cultural discourse, with Hollywood portrayals oscillating between representations of China, and Chinese people, as either a modern robotic 'model' for success or as a feared ancestral enemy.³ Within Kazakhstan, this has translated into widespread negative attitudes about the threat of China, which are largely based upon the fear of a large population just over the border of such a sparsely populated Central Asian country.⁴ In fact there have been relatively low rates of migration since independence, and there are more ethnic Kazakh's living in China than the other way around.⁵ Moreover, the two countries are bound together by the Uyghur population that extends across the border and is a constant source of tension through the separatist movement that has gained traction in China's Xinjiang Province. Meanwhile, this distinction between the public perception and economic integration marks the difference between the establishment's inner view and the general public's perception.

These obscuring practises and narratives impact upon how we understand the concept of China in Kazakhstan. We must understand how China operates as a global actor in order to develop a deeper analysis of Sino-Kazakh relations. Remarkably, while there is a super-abundance of literature on the role of China in Africa, and in particular relating to the energy industry, there is much less analysis conducted on the tactics and strategy of China in Kazakhstan.⁶ Sino-African relations are often characterised as reflecting an exploitative and

² See for example Ho-fung Hung, 'Orientalist Knowledge and Social Theories: China and the European Conceptions of East-West Differences from 1600 to 1900', *Sociological Theory*, Vol.21, No.3, (2003), pp.254–80.

³ Yuko Kawai, 'Stereotyping Asian Americans: The Dialectic of the Model Minority and the Yellow Peril', *Howard Journal of Communications*, Vol.16, No.2 (2005), pp.109-30.

⁴ Elena Sadovskaya, 'Chinese Migration to Kazakhstan: a Silk Road for Cooperation or a Thorny Road of Prejudice', *China and Eurasia Forum Quarterly*, Vol.5, No.4 (2007), pp.147-70.

⁵ Konstantin Syroezhkin, 'Social Perceptions of China and the Chinese: A View from Kazakhstan', *China and Eurasia Forum Quarterly*, Vol.7, No.1 (2009); Natalie Koch, 'Kazakhstan's changing geopolitics: the resource economy and popular attitudes about China's growing regional influence', *Eurasian Geography and Economics*, Vol.51, No.1 (2013), pp.110-33.

⁶ The body of literature is enormous but see for very frequently cited examples, Chris Alden, 'China in Africa', *Survival: Global Politics and Strategy*, Vol.47, No.3, (2005), pp.147-164; Ian Taylor, 'China's oil diplomacy in Africa', *International Affairs*, Vol.85, No.5 (2006), pp.937-59.

short term strategy.⁷ This chapter will demonstrate that this model of China in Africa, which commands almost universal consensus, is not applicable in Central Asia. Instead, China has developed a longer term strategy in Kazakhstan for many reasons; proximity, religious and ethnic tensions, border disputes and geopolitical power tussles with Russia. This research reveals that there is a twin-track strategy being employed in China's foreign policy. Overseas, China is more willing to push its agenda onto developing countries in an aggressive drive for growth, but in 'its own backyard' a more nuanced strategy is required.⁸

Scholarship on China and Kazakhstan began to develop in the early 2000s, but it continues to presuppose the dominance of China in the relationship.⁹ The first wave of literature that examines the phenomena begins within Bill Gates and Matthew Oresman, describing the changing Chinese focus as China starts to 'Go Out'.¹⁰ It is Nikolas Swanström who then discusses the context of Kazakhstan turning between two masters in an interplay of 'vassal relations',¹¹ but again Kazakhstan's autonomy is not emphasised here. Subsequent responses to Swanström, such as those by Kevin Shieves have chosen to emphasise Kazakhstan as a place to stabilise US-China relations and to stress the importance of Xinjiang to its development.¹² More recent work that has started to recognise the importance of Central Asia in terms of energy security has fallen prey to the easy Great Game/ Mackinder tropes.¹³ Indeed, it has been more common for Kazakhstan to be written about as the subject of China's

⁷ Bates Gill & James Reilly, 'The Tenuous Hold of China Inc. in Africa', *The Washington Quarterly*, Vol.30, No.3, (2007), p.37.

⁸ Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009), pp.5-19.

⁹ This is not to suggest that no literature existed on the relationship before this point, but rather that the literature on the political economy was not developed until this time.

¹⁰ Bates Gill and Matthew Oresman, *'China's New Journey to the West: China's Emergence in Central Asia and Implications for US Interests'*, Washington, DC, CSIS Press, 2003.

¹¹ Niklas Swanstrom, 'China and Central Asia: A New Great Game or Traditional Vassal Relations?' *Journal of Contemporary China*, Vol.14, No.45 (2005) pp.569-84.

¹² Kevin Shieves, 'China Turns West: Beijing's Contemporary Strategy Towards Central Asia', *Pacific Review*, Vol.79, No.2 (2006), pp.205-24.

¹³ See for example Thrassy N. Marketos, *'China's Energy Geopolitics: The Shanghai Cooperation Organization and Central Asia'*, (Abingdon: Routledge, 2009).

energy policy, rather than as an influencing factor.¹⁴ Similarly, locally generated literature has emphasised the competitive nature of the relationship,¹⁵ and the unevenness of the relationship created through the Shanghai Cooperation Agreement (SCO).¹⁶ The only literature that attempts to deny the mercantilist attitude and subdue the power imbalance in the Kazakh-Sino relationship is that of Joseph McCarthy in 2013.¹⁷ Indeed McCarthy's publication is the most rigorous produced on the subject, but in contrast to this chapter approaches the topic from the Chinese perspective, rather than the Kazakh experience of China.

Kazakhstan's position on the edge of China can be recast in terms of marginality. The Chinese state has responded directly to the celeritous development of the Kazakh state and has responded by arranging its own strategy accordingly; the centre of power has made adjustments based upon the margin, signifying the edge of China's power. To approach this from the alternate perspective, this suggests that there is a 'bottom-up' model of foreign policy being employed by the Chinese leadership, and therefore that the margin is affecting the center. Kazakh autonomy can be recognised in and has been acted upon through the tactics described by Noel Parker, as it has; sought to play off one state against the other; developed itself as an alternative centre by competing with Russia for energy contracts; and has sought rent payments from China.¹⁸ It has achieved this through the robust reconsideration of the

¹⁴ See for example Erica Downs, 'China's Quest for Energy Security', RAND Corporation, Santa Monica, 2006. Charles E. Ziegler, 'The Energy Factor in China's Foreign Policy', *Journal of Chinese Political Science*, Vol.11, No.1 (2006), pp.1-23.

¹⁵ Assel Serikbayeva, 'China And Russia: Competition For Central Asian Energy', May, 2013, St Louis, Missouri.

¹⁶ See for example Kuralai Baizakova, 'The Shanghai Cooperation Organization's Role in Countering Threats and Challenges to Central Asian Regional Security', *Russian Politics and Law*, Vol.51, No.1, (2013), pp.59-79; Timur Dadabaev, 'Shanghai Cooperation Organization (SCO) Regional Identity Formation from the Perspective of the Central Asia States', *Journal of Contemporary China*, Vol.23, No.85, pp. 102-18; Galiia A. Movkebaeva, 'Energy Cooperation Among Kazakhstan, Russia, and China Within the Shanghai Cooperation Organization', *Russian Law and Politics*, 2013, Vol.51, No.1 (2013), p.80.

¹⁷ Joseph McCarthy, 'Crude 'Oil Mercantilism'? Chinese Oil Engagement in Kazakhstan', *Pacific Affairs*, Vol.86, No.2 (2013), pp.257-80.

¹⁸ Noel Parker, 'A Theoretical Introduction: Spaces, Centers, and Margins' in Noel Parker, (ed.) *The Geopolitics of Europe's Identity; Centers, Boundaries and Margins*, (New York: Palgrave Macmillan, 2008), pp.12-15.

legal requirements of firms entering the market and successful behind-the scenes negotiation with Chinese officials over multiple (often contentious) issues - including land reform.

In order to explore these changing identities and tactics, the chapter will examine the three existing interpretations of the relationship between China and Kazakhstan. The first two interpretations focus upon China as an economic actor in developing countries – as a mercantilist and as a neo-colonialist – and ask whether this analysis is in accord with the Kazakh experience. The third interpretation focuses upon Kazakhstan's experience of China, asking whether this supports or contests the 'Great Game' interpretations of Kazakhstan as a 'weak player' or the marginality hypothesis of autonomous decision-making capabilities. This latter section of the chapter illustrates how the new millennium has signalled the start of a more confident Kazakhstan. As such, it is no longer wholly dependent upon the international community for its immediate survival and instead a genuine domestic strategy based upon maximisation has been cultivated by both the Kazakh state and commercial actors. We need to understand how China has entered the closed Kazakh oil market and the precedent that it has set for other national and private companies wishing to enter the local industry. Furthermore, we need to examine how this knowledge can be used to understand the global experience of China's energy policy and the waning influence of previously dominant market actors such as Russia.

China the Global Actor

China is the world's most populous country, it has the largest economy and consumes the most energy. To meet the demand of a rising middle-class, China has had to look beyond its own small oil reserves of 20.4 billion barrels and turn outward to import energy from a multiplicity of exporting states. Until very recently, securing reliable material facts such as this was problematic: the closed nature of China's party system has made it difficult for analysts

to accurately gauge the size of the domestic market or the reserves.¹⁹ Excessive domestic investment, slowly rising inflation and the global financial crisis have all challenged China in its attempts to secure its receipt of oil on terms it feels it can agree to. Subsequently, this burgeoning Asian state was forced to secure a presence in the oil producing regions of the world to ensure the continuity of supply for its growing domestic consumption patterns from the world market. To improve its position further, China must reinvest in its own oil industry and improve productivity through collaboration with technologically more advanced international oil companies. The current literature describes this as problematic through an interpretation of China's foreign policy as 'mercantilist'. As is to be expected, developed and developing countries have different experiences of China and it is through these different historical prisms that competing visions of 'China Overseas' are generated.

Western frameworks often characterise China as being the 'Hungry Dragon'.²⁰ From this perspective China's presence in the developing world replicates former and present colonial powers in its exchange of value-added commodities for raw materials.²¹ Lurid language and memories of Western imperialism have ignited discussion of China as the 'yellow peril' seeking to usurp US and European hegemony over developing markets, with descriptions of China as 'devouring', of being 'insatiable', and of its goal of 'domination' particularly in the American print media and academic literature.²² Much emphasis is placed upon its willingness to invest in any industry regardless of the democratic traditions of the state in question – China's only stipulations for receiving its aid are that its 'One China' policy is acknowledged and that

¹⁹ Lucy Hornby, 'China releases first formal estimate of strategic oil reserves', *The Financial Times*, 20th November 2014.

²⁰ See for example Sigfrido Burgos Cáceres & Sophal Ear, *The Hungry Dragon: How China's Resource Quest is Reshaping the World* (London: Routledge 2013), pp. 4-13.

²¹ See for example Jonathan Holslag, 'China's New Mercantilism in Central Africa', *African and Asian Studies*, Vol.5, No.1 (2006), p.135.

²² T. Houser, 'Oil-hungry China needs energy security rethink', *Financial Times* 17 March 2007; R. Mills, 'Dragon's hunger to devour oil firms is good news for Gulf', *The National*, 31st July 2011. For an analysis of British media attitudes to China see E. Mawdsley, 'Fu Manchu Versus Dr Livingstone in the Dark Continent? Representing China, Africa and the West in British Broadsheet Newspapers', *Political Geography*, Vol.27, No.2 (2008). pp.509-29.

Chinese loans will be used to purchase Chinese goods.²³ This intemperate narrative has been further exacerbated through US fears of China both as a threat to their hegemonic status and also as a competitor for international resources using a zero-sum logic.²⁴ This reaches its peak in the 'China Threat Theory', in which China is perceived as an aggressive force,²⁵ or in the radical foreign policy predictions of warmongering US political commentators on the *New York Times* 'best sellers' list.²⁶ All of these voices, whilst correctly highlighting the possible repercussions of China's 'peaceful rise', downplay the murkier aspects of Western interventionism and their own bloody hunt for oil.

Markedly different narratives have been generated across the Global South. China was once viewed as an unobtrusive alternative to Western power, one that would not interfere in the political progression of particularly African and Latin American states. The Non-Aligned Movement bonded together developing countries and created an impression of a South-South alliance that would be mutually beneficial to all. But, whilst China has provided investment to states that would not be considered viable by the West, it has also failed to deliver on its promises to improve infrastructure, particularly in Africa. Instances such as the collapse of Chinese built hospitals in Angola or the washing away of newly constructed roads in Zambia have tarnished China's reputation.²⁷ Furthermore China has assisted African states in perpetuating violence against their populations in a series of 'oil for arms' deals in the most troubled conflict zones such as Angola and Sudan.²⁸ On the back of all these lucrative trade deals, over a million Chinese people have moved to Africa, some from the time of Chairman

²³ Amy Myers Jaffe & Steven W. Lewis, 'Beijing's oil diplomacy', *Survival: Global Politics and Strategy*, Vol.44, No.1 (2002), p.115; Wenran Jiang, 'China Makes Strides in Energy "Go-out" Strategy', *China Brief* 9, (2009), No.15.

²⁴ S. Giry, 'China's Africa strategy out of Beijing', *The New Republic*, 5 November 2004, <http://www.newrepublic.com/article/world/81103/out-beijing>

²⁵ Herb Lee and Ian Storey, 'Introduction' in Herb Lee & Ian Storey, (eds.) *China Threat Theory; Myths, Perceptions and Reality*, (London: Routledge/Curzon, 2002), pp.2-21.

²⁶ Bill Gertz, *The China Threat: How the People's Republic Targets America*, (Washington: Regnery Publishing, 2002), pp.3-15.

²⁷ The Economist, 'Trying to Pull Together', *The Economist*, 10th April, 2011.

²⁸ G. Mohan, 'China in Africa: A Review Essay', *Review of African Political Economy*, Vol.35, No.1 (2008), pp.155-173.

Mao, but mostly during the last decade, and this influx is causing friction within the local population.²⁹ As Nigerian Central Bank Governor Lamido Sanusi noted of China, the notion of the 'country as the saviour, a model, a partner' is to view the modern relationship with 'rose-tinted glasses'.³⁰

But how has the Chinese state internalised these narratives? Opinion is divided with writers such as Michael Yahuda suggesting that the state has little interest in these opinions, particularly in the case of Japan.³¹ Conversely, Deng Yong suggests self-interest as motivation for China being interested in international opinion. Deng suggests that the Chinese state recognises the difficulties associated with a negative reputation, in particular suggesting that it can lead to a belligerent attitude developing in wider international discourse and thereafter restricting China's ability to pursue foreign policy goals overseas.³² Going further, Deng proposes China has actively tried to neutralise the 'China Threat Theory' overseas, as it has witnessed negative consequences for its own security sector. China has at different times adopted different perspectives in order to increase its appeal; from its period of 'Responsible China' that lasted from after Tiananmen Square until the mid-2000s; to its 'post-Responsibility' phase characterised by a robust geopolitical approach to international relations.³³ As we shall see, the astute awareness of self-publicity is present in China's dealings with Kazakhstan, suggesting that Deng's interpretation is more relevant in the region.

²⁹ Xin Rice, 'Chinas Economic Invasion of Africa', *The Guardian*, 6 February, 2011, accessed 12 September 2015, <http://www.theguardian.com/world/2011/feb/06/chinas-economic-invasion-of-africa>

³⁰ L. Sanusi, 'Nigerian Central Bank Governor: Africa Must Get Real About Chinese Ties', *Financial Times*, March 11, 2013, accessed 12 September 2015, <http://www.ft.com/intl/cms/s/0/562692b0-898c-11e2-ad3f-00144feabdc0.html#axzz2ZJ3heneH>

³¹ Michael Yahuda, 'The Limits of Economic Interdependence: Sino-Japanese Relations', in Alistair Johnston & Robert S. Ross, (eds.) *New Directions in the Study of China's Foreign Policy* (Stanford: Stanford University Press, 2006).

³² Yong Deng, 'Reputation and the Security Dilemma: China Reacts to the China Threat Theory', in (eds.) Alistair Johnston & Robert S. Ross, *New Directions in the Study of China's Foreign Policy*, (Stanford: Stanford University Press, 2006), p.188.

³³ Yong Deng, 'China: The Post-Responsible Power', *The Washington Quarterly*, Vol.37, No.4 (2015) p.128.

China the 'Mercantilist'

In order to understand the role that China is playing in Central Asia we must work through the myths and perceptions of 'China overseas'. Quite obviously, Kazakhstan is not Africa, and we must not make the mistake of applying the 'lessons learnt' from that continent directly onto Kazakhstan's experience. To do so would have quite profound and distorting implications for our research. To apply the standard view of China as mercantilist, we are making assumptions about the power dynamic between the two states, and this presents a serious challenge to the understanding of Kazakhstan occupying a place of positive marginality. Kazakhstan has influenced the geopolitical strategy of China, and it has the opportunity to shed light on the rising world economy. It is to the realities of China as a global actor that the chapter now turns.

Since China became a net-importer of oil in 1993, a large body of academic work suggests that China is adopting a mercantilist attitude towards energy relations, 'locking-up' energy reserves around the world from the US and EU.³⁴ China's overseas engagement has typically been viewed as a zero-sum race for natural resources and developing markets across Asia, Africa and Latin America.³⁵ This debate tends to characterise China's energy security policy as 'mercantilist' and frames Chinese interest as being in direct opposition to the interests of the United States. Understood in this way, the use of the term mercantilism suggests that China buys assets over the market-value to secure sole-supply and that China is a neo-colonial foreign power seeking to emulate European powers whilst ignoring the world market as a means of securing supply. By implication, this view of China's policy suggests that the US and other Western powers have long ceased to rely on such practises. Furthermore, it

³⁴ See for example the classification of China's interest as geostrategic, as opposed to economic in John Lee, 'China's Geostrategic Search for Oil', *The Washington Quarterly*, Vol.35, No.3 (2012), p.75.

³⁵ See for example in the press - The Economist (2010) *Welcome to a Zero-sum World* November 22nd 2010 Or in academic papers – T.J. Christensen, 'Fostering Stability or Creating a Monster? The Rise of China and U.S. Policy toward East Asia', *International Security*, Vol. 31, No. 1 (2006), pp.81-126.

also suggests that the operations of the Chinese NOCs/ IOCs are directly controlled by and are answerable to a monolithic Chinese state.³⁶

However, more recent scholarship, such as that produced by Erica Downs and Shaun Breslin, has been quick to point out the difficulties in treating the China of the new millennium as the command economy it once was.³⁷ During the 1980s and 1990s, China's centralised decision-making body was devolved to encourage new government projects that facilitated economic, if not political, autonomy. This led to a regionalisation and a localisation of power that forced the central party members to seek support from regional groups to affect change, and lessened the political power of the individuals within the party.³⁸ The result of this change has been not only the increase in local representation by the state and the gradual part-privatisation of the public sector, but also a more inefficient bureaucratically led state-system. State-led projects such as the 'Going Global' strategy encouraged outward-investment from both the state and private sector in an effort to release pressure on the renminbi, thereby counter-balancing domestic policy and improving Chinese diplomatic relations abroad. If the state relinquishes complete control of the energy sector to bolster its economic performance, logically it must also lose the ability to control the actions of the industry.

The command-economy that China pursued until the 1990s sheltered it from the storms of the international energy markets, allowing China the luxury of remaining neutral over conflicts in the Middle East. Furthermore, its domestic energy production covered its oil and gas requirements, allowing small amounts of oil to be exported, taking advantage of the high prices

³⁶ Erica Downs, 'China's Quest for Overseas Oil', *Far Eastern Economic Review*, September 2007.

³⁷ Shaun Breslin, 'China and the South: Objectives, Actors and Interactions', *Development and Change, Special Issue: Globalization with Chinese Characteristics*, Vol.44, No.6 (2013), pp.1273–94; E. Downs, 'The Chinese Energy Security Debate', *The China Quarterly*, No.177, (2012), pp.21–41.

³⁸ Erica Downs, 'China's Quest for Overseas Oil', *Far Eastern Economic Review*, September 2007, p.52.

on the world markets that were stifling the liberal-market based economies.³⁹ However in 1993, Chinese demand for oil outstripped production and so began the internationalisation and liberalisation of the Chinese energy sector. Internally, this created demand for natural gas and the implementation of the West-East Pipeline project across 4000 km from Xinjiang to Shanghai. It is this transformation in the needs of the Chinese state to acquire energy from overseas to support domestic growth that leads academics like Ian Taylor to locate the Chinese state as the central unit of analysis for Chinese firms going abroad. Taylor suggests that China's policy (in Africa) is ultimately self-serving and economically driven as shown by the actions of the energy firms at the command of the Chinese state. However, whilst Taylor may be correct in assuming that the procurement of oil is self-serving, he is wrong to solely attribute this to the state rather than the competitive nature of the Chinese oil firms.⁴⁰

Whilst this may appear to be a state-led decision to improve self-sufficiency, the project was in fact initiated by the newly restructured firms and propelled by their new capitalist mandate for growth.⁴¹ In 1994, China began to devolve the centralised energy sector by creating two new vertically integrated firms; the China National Petroleum Corporation (CNPC) and the China Petroleum and Chemical Corporation (Sinopec). Both firms perform onshore, upstream, midstream and downstream processing and as a result are often in direct competition with each other. Since then off-shore production firms have been created, including the gargantuan China National Offshore Corporation (CNOOC), to expand China into new markets. At home, in the domestic market this is easily controlled by the government as it is the state that decides which firms secure which contracts.

³⁹ A. Jaffe, & S. Lewis, 'Beijing's Oil Diplomacy', *Survival: Global Politics and Strategy*, Vol.44, No.1 (2002), pp.115-34.

⁴⁰ Ian Taylor, 'China's Oil Diplomacy in Africa', *International Affairs*, Vol.82, No.5 (2006), pp.937-59.

⁴¹ E. Downs, 'China's "New" Energy Administration', *China Business Review*, November-December 2008, pp.42.

However, overseas is where the competition begins. The firms are in theory operating at the behest of the state, but where there is a conflict between state goals and market goals the firms have shown themselves *willing to ignore government orders* and compete against each other for overseas contracts. This has been the case in Sudan, where the wishes of the communist party leadership were directly ignored.⁴² Similar outcomes can be observed in Argentina over competition for Repsol's shares in a local oil project.⁴³

This is not to suggest that Chinese oil firms are entirely autonomous actors; there are still strong ties between the state and these firms. This link is created by the revolving door of staff recruitment between politicians and top level management of the energy firms. For example, the current leadership of the state energy firms—Fu Chengyu (CNOOC), Jiang Jiemin (CNPC) and Su Shulin (Sinopec) are all vice ministers in the Party.⁴⁴ It is important to see this as a characteristic of the oil and gas industry more generally, and indeed many more industries, rather than being a unique feature of the Chinese state-market relationship - Western oil markets are similarly constructed. Examples of the extent of this were revealed in the wake of the 2010 BP oil spill off the Gulf of Mexico. Extraordinary links between the US regulatory body (the Minerals Management Service) and the employees of BP showed that employees partied together, and viewed each other as a client and potential employer rather than as independent market actors.⁴⁵ Furthermore Non-government International Organisations have developed similar relationships. The World Bank has been involved in similar 'revolving door' fiascos

⁴² S. Lewis, *Chinese NOCs and World Energy Markets: CNPC, Sinopec and CNOOC* (The James A. Baker III Institute for Public Policy, Rice University 2007).

⁴³ C. Chan, & J. Lima, *Repsol Is Said to Favor CNPC Over Cnooc in YPF Sale* Bloomberg [available from] <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=ax1DAhgZGs.w>

⁴⁴ E. Downs, *Who's Afraid of China's Oil Firms?* (Washington: Brookings Institution Press, 2010).

⁴⁵ As a result of the entrenched network of government and BP, and its contribution to the disaster, the MMS was restructured and is now managed under the Bureau of Ocean Energy Management, Regulation and Enforcement. For more details of the involvement between the government and the oil firms in this case see; The New York Times [The Editors], 'New York Times Rules, Revolving Doors and the Oil Industry', The New York Times, accessed 12 September 2015, http://roomfordebate.blogs.nytimes.com/2010/05/05/rules-revolving-doors-and-the-oil-industry/?_php=true&_type=blogs&_r=0

through their International Finance Corporation division, again forcing a structural reorganisation, this time following personnel exchanges when the former chief executive moved to the Texan oil firm Kosmos amid contract exchanges.⁴⁶

Internationally, both the Chinese state and its energy firms pursued new markets in the Middle East and Africa and later, Latin America. Often these deals were with countries outside of the Western alliance and longer contracts were negotiated in exchange for arms. Furthermore, the Chinese state did not discriminate against states based upon their human rights records, and the firms worked to the employment standards of the host country. However, this mutually beneficial mode of operation did not continue unchallenged. In response to international criticism over its conduct in Sudan, China added it to the list of states in which its firms were not allowed to invest. Furthermore, previous patterns of FDI from China suggested a pattern of investment 'the worse the institutional environment of a host country, the more is Chinese FDI attracted by the country's natural resources' up until the mid-2000s, where more recently there has been a observed shift towards a Chinese focus on the developed economies in the West.⁴⁷

Therefore, when considering the idea of 'China' overseas operating as a mercantilist, there must, at the very least, be a separation between one attributes to the state and to the firm. The international and the national oil firms both pursue economically driven agendas as part of the liberalisation of the industry by the state; the decision-making process is therefore led

⁴⁶ Emma Haslett, *World Bank Shuts Its Own Revolving Door*, *Management Today*, 24 December 2013, accessed 12 September 2015, <http://www.managementtoday.co.uk/go/news/article/1225734/world-bank-shuts-its-own-revolving-door/>

⁴⁷ I. Kolstad, & A. Wiig, *What Determines Chinese Outward FDI? CMI Working Paper* (CHR Michelsen Institute, Bergen 2009). Although the empirical conclusions of the paper argue that 'the worse the institutional environment of a host country, the more is Chinese FDI attracted by the country's natural resources', there is significant room to investigate the qualitative analysis of why these results were achieved beyond the description of a 'ravenous China' with which the author disagrees.

by the firm not by the state. The oil companies themselves are not the only stakeholders in the NOCs. The host state, the investment sector and partner oil companies also take an active interest in its development. The Chinese NOCs are partially-listed firms on international stock exchanges. Indeed, when considering China through the 'China Threat' lens it is important to note that the contracts signed by the Chinese NOCs do not fundamentally differ from the contracts signed by other international IOCs.⁴⁸ There is also a distinction between established and emerging firms. Firms that are well established hire more local employees in a range of positions, whilst newly established firms tend to bring in more Chinese and international workers.⁴⁹ Furthermore, there is a difference in the actions of firms that perform a single operation in the country and those that control up, mid and down-stream production. All of these distinctions make it harder still to conceptualize the actions of China's firms overseas as the work of a single homogenous actor.

Viewing China as mercantilist also assumes that the Chinese state is efficient. In reality, the Chinese bureaucratic machine is large and unwieldy, with overlapping departments and organisational friction, as you would find in all states. These inefficiencies have resulted in China being less active than its Western counterparts in completing mergers and acquisitions in the industry. To date, no Chinese firm has managed to perform a merger over \$4bn (a 2005 deal to purchase PetroKazakhstan), despite having the capacity to conduct \$40bn takeovers.⁵⁰ Rather, as Shaun Breslin makes clear, if we think of the Chinese state as able to operate with a single voice, it is because this is the image that the China wishes to project.⁵¹

⁴⁸ Shell Representative, Interview – Astana, 2nd March 2013.

⁴⁹ Shell Representative, Interview – Astana, 2nd March 2013.

⁵⁰ Wood Mackenzie, 'The Impact of Asian NOCs on the Upstream M&A Market', *Corporate Insight*, May 2006

⁵¹ S. Breslin, 'China and the South: Objectives, Actors and Interactions', p.1273–1294.

China Going Global... in Kazakhstan

China may be well known for investing in developing countries, but in fact since the mid-2000s, it has invested in mainly developed countries.⁵² How important is Kazakhstan in China's wider foreign policy and energy strategy? For China to invest so heavily in its neighbour, which is still very much a developing state, there must be good reason. One motive for this is the need to diversify supply away from the Strait of Malacca which is often perceived as a delicate chokepoint. This section examines some of the competing theories that provide an understanding of China's involvement in Kazakhstan.⁵³

When considering China's success in Kazakhstan, the most obvious place to look is at the vast sums of money. Or, as the First Vice President of KMG phrases it in relation to a recent oil deal with China-

*"First," he said, "this is the decision of the government, and of course we respect it and will implement it. Second, I will tell you what I would tell my wife in the kitchen. It's a shame. When we deal with the Chinese, there is always concern about quality and performance, safety and security, health and the environment. But how can you walk away from \$10 billion?"*⁵⁴

⁵² I. Kolstad & A. Wiig, *What Determines Chinese Outward FDI? CMI Working Paper* (CHR Michelsen Institute, Bergen, 2009). Although the empirical conclusions of the paper argue that 'the worse the institutional environment of a host country, the more is Chinese FDI attracted by the country's natural resources', there is significant room to investigate the qualitative analysis of why these results were achieved beyond the description of a 'ravenous China' with which the author disagrees. Previous patterns of FDI from China suggested a pattern of investment 'the worse the institutional environment of a host country, the more is Chinese FDI attracted by the country's natural resources' up until the mid-2000s, there has been a observed shift towards Chinese attraction to developed economies in the West.

⁵³ Zhong Xiang Zhanga, 'China's energy security, the Malacca dilemma and responses', *Energy Policy*, Vol.39, No.12 (2011), pp.7612–15.

⁵⁴ US Embassy, 'Kazakhstan: China National Petroleum Corporation Acquires', *WikiLeaks*, 2009, accessed 12 September 2015, <https://wikileaks.org/2009/04/23/09astana678-kazakhstan-china-national-petroleum-corporation-acquires/>

So whilst money is an obvious feature of the relationship is there more to it than this?

The Strait of Malacca renders China strategically vulnerable because it supplies 80% of its oil imports. Every year 87 million bbl/d of oil are produced around the world, half of which are transported by sea. Of that, 15.2 million bbl/d are transported every year, and rising, through the narrow passage of water that is the Malacca Strait. Some 77,000 ships passed through the strait in 2010 which, at its narrowest is only 1.7 miles wide, to connect Asia with the rest of the world. Major ports along the route such as Singapore are congested with tankers often waiting offshore for long periods before they can be taken to harbour. Tanker collisions, oil spills, natural disasters, hijackings and piracy are all examples of how this fragile system can be interrupted, causing delivery delays, increasing the cost of shipping, and raising insurance claims. This leaves China vulnerable, because no matter from how many different countries it sources oil, each barrel is transported via the same tiny vulnerable route.

So whilst the straits of Hormuz, Malacca and Bab el-Mandab have all been heavily contested and are points of antagonism between states, it is more important to realise that these chokepoints are simply vulnerable to overcrowding. Oil spills, collisions, natural disasters have all occurred in the past. In order to overcome this China has been pursuing a more balanced energy security strategy through the use of overland pipelines. Alternative partners include Burma and Pakistan; however neither provides a stable partnership and the pipelines are vulnerable to attack through internal conflict and are topographically expensive. Russia already supplies to China but it has proven to be an unreliable partner. In a bid to solidify its presence in the South Pacific (for reasons beyond energy) the state has invested heavily in its shipbuilding industry and as a result China's military shipbuilding capabilities now surpass

South Korea, Western Europe and Japan, and they are fast approaching the standards of Russia.⁵⁵

Andrew Erikson contests this strategic appraisal of China's motivations for pursuing pipeline projects.⁵⁶ Instead, he suggests that the importance of the pipeline projects has been generated to help provide jobs and secure political relationships, that transporting oil by land is too expensive and that shipping is a far cheaper and more secure option. In his analysis of the three potential pipeline projects between China and Kazakhstan, Burma and Pakistan, it is only the Kazakh model that he appraises as being a cost effective project. This may be true – the other projects are, quite literally, pipe-dreams. However, whilst the Strait of Malacca is a chokehold in the energy security of China, Russia is a larger, more established, more powerful neighbour too, the questions remains, how important is Kazakhstan in China's quest for long-term energy security?

Kazakhstan's Engagement with China

In order to contextualize Kazakhstan's relationship with China we have unpacked not only the driving force behind China's appetite for oil and the nuances behind the industry and its practises, but also the basis for China being interested in Kazakhstan as an investment destination. In doing so, it is apparent that there are opportunities for Kazakhstan to benefit from having such a wealthy patron on its border. If Kazakhstan is acting on the margin of China, it is altered by the power of the centre, but it should also be able to affect the actions of the centre. Kazakhstan has taken on a new identity; it has become a competitor to Russia for oil contracts with China. Previous chapters have shown Kazakhstan has internalised its position as a margin and is actively seeking ways in which to increase autonomy and relative

⁵⁵ Andrew S. Erikson, 'US Navy Take Notice China Is Becoming a World Class Military Shipbuilder', *The Diplomat*, 12 November 2012, accessed 12 September 2015, <http://thediplomat.com/2012/11/u-s-navy-take-notice-china-is-becoming-a-world-class-military-shipbuilder/>

⁵⁶ Ibid.

power. By actively seeking another centre, away from Russia, Kazakhstan is increasing autonomous capability, but by *developing itself as an alternative centre*⁵⁷ questions are asked about the strength of Russia's relationship with China. During the 1900s, Sweden and the Nordic states promoted themselves as an alternative centre to the US and the Western liberal market economies by emulating European states, but still creating room to be an 'improvement'.⁵⁸ Through the development of its relationship with China, there is the beginning of an 'alternative centre' identity forming in Kazakhstan as a regional energy destination.

This is evidenced by the contrasts between how China is operating in the region compared with its global strategy. If Kazakhstan was a peripheral state, as opposed to a marginal state with no power to influence the centre, we would expect Kazakhstan to be subject to the same treatment as other less empowered states. David Zweig suggests that China's global hunt for energy has avoided countries already involved with US firms, and it is this that avoids conflict between the power states over Africa.⁵⁹ However, this is not the case for China's involvement in Kazakhstan. There has already been a strong US presence both economically and militarily in the country and region, and whilst aspects of the relationship will weaken in the post-2014 withdrawal from Afghanistan, the US oil and gas firms are financially committed to the region. Many of the Western human rights and environmental arguments that have been generated in Africa are also not applicable here; whilst China is supporting a semi-authoritarian ruler, so are the international oil firms and trade deals from many Western governments. China has also responded to Kazakh environmental standards in its oil fields, something which its firms have not readily done in African states. Whilst in Africa there have been ongoing environmental concerns caused by China's resource appropriation in Africa, this has not been

⁵⁷ Noel Parker, 'A Theoretical Introduction: Spaces, Centers, and Margins' in Noel Parker, (ed.) *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins*, (New York: Palgrave Macmillan, 2008), p 15.

⁵⁸ Noel Parker, 'Differentiating, Collaborating, Outdoing: Nordic Identity and Marginality in the Contemporary World', *Identities: Global Studies in Culture and Power*, Vol.9, No.3, (2002), p.355.

⁵⁹ D. Zweig and B. Jianhai, 'China's global hunt for energy', *Foreign Affairs*, Vol.84, No.5 (2005), pp.25–38.

the same in Kazakhstan.⁶⁰ The development of the Kashagan field in 2007 was delayed by the states in order to renegotiate PSA agreements and also to reinforce environmental regulation. However, it must be noted that there are still ongoing water disputes between China and Kazakhstan, albeit these are unrelated to the energy industry.⁶¹

The differences between these experiences go further still, as Kazakhstan is strategically important to China beyond its resources. Historically, China has been involved with the African states since the beginning of the second wave of democracy that swept Africa in the 1950s. Whilst regional specialist Niklas Swanström seeks to create a historical connection between China and Central Asia,⁶² the reality is that the traumatic changes that took place in Central Asia during the period of Soviet rule destroyed nearly all that was left of this cultural bond. The peregrinating culture, that had strong ties to China, was destroyed. Kazakhstan was 'russified', with the Russian language and a majority Russian population in the north to compound this change. By the time of *Perestroika* there was little left of the old Silk Road relationship. Therefore, whilst the association is in theory old and venerable, the Kazakh nation is younger than the Sino-Central Asia relations and there are no living generations to remember this tradition in a meaningful way.

Where China and Kazakhstan do share a strong historical connection is through their Muslim Uyghur populations. The Uyghur population outside of Central Asia does not identify itself as Chinese and within China there is a strong desire for the creation of a separate Uyghur state,

⁶⁰ Giles Mohan and Marcus Power, 'New African choices? The politics of Chinese engagement in Africa and the changing architecture of international development', *Review of African Political Economy*, Vol.35, No.1 (2008), p.37.

⁶¹ See Radio Free Asia for more information on this subject: Radio Free Asia, 'Rivers Threatened as China, Kazakhstan Water Pact Remains Elusive', *Radio Free Asia*, 24 June 2013, accessed 15 September 2015, <http://www.rfa.org/english/news/uyghur/delay-06242013164251.html>

⁶² Niklas Swanström, China and Central Asia: A New Great Game or Traditional Vassal Relations', *Journal of Contemporary China*, Vol.14, No.45 (2005), pp.569-584.

breaking away from the strict 'One China' policy of the CPC. For Swanström this is the key driver of China-Kazakh relations, with oil coming second in importance. China has long warned the Central Asian states that they must not allow terrorists to pass across to China from Afghanistan and Pakistan, and as such 'no governments in the region would dare support any organisation that [China] could classify as terrorist'. As Swanström himself suggests, many of the Central Asian states are already hostile to the cause, fearing their own separatist and political movements.⁶³ Furthermore, Kazakhstan has gone to considerable lengths to down-play China's geopolitical proximity and presence. In December 2009, President Nazarbayev forbade the dissemination of information of land sale to China in a bid to curb the domestic and international opposition. In this sense, Kazakhstan operates a dual policy in its operations with China.⁶⁴ The public face of the relationship is one of limited exposure, limited migration and limited cultural exchange.

Yet whilst viewing this relationship through a security prism may have been appropriate in the early and mid-2000s during the height of the War in Afghanistan, the nature of the relationship between these two regions has changed under the new leadership of President Xi Jinping. In January 2014, announcing the creation of a new economic Silk Road belt stretching from China to the Arabian Peninsula, the President expressed that the Xinjiang Uygur Autonomous Region would be the financial, transport and logistics centre of the Road.⁶⁵ As such, Xinjiang will become a focus of Chinese government funding and development assistance, removing many of the economic grievances expressed by separatists. Security

⁶³ Ibid., p. 572.

⁶⁴ Joanna Lillis, "Kazakhstan: China Looking to Lease Land for Agricultural Purposes", *EurasiaNet*, 3rd February 2010, accessed 12 September 2015, <http://www.eurasianet.org/departments/insight/articles/eav020410.shtml>

⁶⁵ Abdul Aluwaisheg Aluwaisheg, A., 'China's New Silk Road Initiatives: A GCC perspective' *Eurasia Review*, 2014, accessed 12 September, <http://www.eurasiareview.com/02022014-chinas-new-silk-road-initiatives-gcc-perspective/>

and oppression are being gradually replaced by prosperity, thereby alleviating the security role of Central Asia in 'controlling' the Uhygur question.

Since Swanström wrote in 2005 that China staged only multilateral interactions with Central Asia, further changes have occurred. Swanström is right to note that China used the Shanghai Cooperation Organisation as method of speaking to Central Asia on a multilateral basis, especially on the subject of Xinjiang.⁶⁶ This was indeed the case in the early years of CIS independence. However, China's strategic interest in the region has changed, and with the recent purchase of a stake in Kashagan and the accompanying \$30bn trade deal, the local dynamics have also somewhat altered. Kazakhstan has become the focal point of China's attention, suggesting that the relationship is now more bilateral than multilateral. China is looking for the most stable regional power with which to secure its future projects for oil and trade.⁶⁷ That description is not met by Russia. Turkmenistan is predominantly supplying natural gas,⁶⁸ Uzbekistan is the regional military leader and Tajikistan and Kyrgyzstan are underdeveloped, relatively hostile states with uncertain economic futures. It is therefore no longer feasible to perform fruitful multilateral negotiations and China has wisely selected Kazakhstan as the neighbouring state with which to begin concentrated unilateral negotiations. Taking advantage of America's pivot towards East Asia, and Russian indecision, China has gradually become the preferred partner of Kazakhstan.

However, Swanström is wholly right to take issue with Parag Khanna's suggestion that China is creating a *Lebensraum* for its people.⁶⁹ Indeed where Khanna views these developments in

⁶⁶ Swanström, 'China and Central Asia', p. 575.

⁶⁷ Alexandros Peterson, 'How the West Is Wholly Missing China's Geopolitical Focus', *Foreign Policy*, 10 January 2012.

⁶⁸ In 2010 nearly half of China's gas consumption was imported from Turkmenistan.

⁶⁹ Parag Khanna, 'China's Final Frontier', *Prospect Magazine*, June 2009, accessed 15 September 2015, http://www.prospectmagazine.co.uk/magazine/china-xinjiang-tibet-rebellion/#.UvjvR_I_u8A

purely spacial terms, he conjures up a degree of hysteria about an invading population and a defenceless Kazakhstan, again playing into a stereotypical 'Great Game' analysis of regional dynamics. The low rates of migration from China to Kazakhstan, except for through the Oralman repatriation programme for ethnic Kazakhs, suggests that there is little interest amongst the Chinese citizenship in becoming Kazakhstani.⁷⁰

Whereas Swanström analyses the dynamic from the Chinese perspective and prioritises security as the keystone of the Kazakh-China relations, Pinar İpek approaches the question from the Kazakh perspective and considers pipeline politics as the principle driver of Kazakhstan as part of a 'multivector foreign policy'. İpek conceptualises Kazakh foreign policy as being wholly constructed around geopolitical considerations, insisting that it is not based upon 'clan politics', that it is 'pragmatic' and carefully 'balanced'.⁷¹ Beginning with the question of the role of domestic influence on foreign policy, it is hardly surprising that oil and gas takes priority. It is the instrument with which Kazakhstan has developed almost the entirety of its economic development and will have to so for some time. However, to suggest that because 'clan politics' is weakening, does not alter the political economy of personal interest that exists in the Kazakh government – consider the case of Mr Giffen, the US 'fixer' indicted for bribery between President Nazarbayev and US firms, which shows that personal interests are still able to take precedence over pragmatism at the highest levels.⁷²

Kazakhstan's relationship with China is often framed through the balancing or multivector framework. In this framework of understanding, a certain degree of strategy and forethought is presumed. Reuel Hanks describes the foreign policy strategy of President Nazarbayev as

⁷⁰ Elena Sadovskaya, 'Chinese Migration to Kazakhstan: a Silk Road for Cooperation or a Thorny Road of Prejudice', *China and Eurasia Forum Quarterly*, Vol.5, No.4 (2007), pp.147-70.

⁷¹ Pinar İpek, 'The Role of Oil and Gas in Kazakhstan's Foreign Policy: Looking East or West?', *Europe Asia Studies*, Vol.59, No.7 (2007), pp.1179-99.

⁷² See Matthew G. Yaeger, 'The CIA Made Me Do It: Understanding the Political Economy of Corruption in Kazakhstan', *Crime Law Soc Change*, No.57 (2012), pp.441–57.

having 'shown the greatest sensitivity, skill and persistence in formulating and implementing multi-vectorism'.⁷³ Whilst there maybe skill in balancing the relationships with Russia, and embracing new sources of foreign direct investment in the Kazakh economy, it does not necessarily follow that this is based as much upon skill, and could conceivably reflect the strategy of the most willing partner. Indeed, President Nazarbayev has listed his partnership options as including 'CIS states, Europe, Asia, North America and the Pacific Basin. Russia, China and the USA'. This is, in essence, most of the countries of the developed world, and as such a general statement of diversification rather than a focused strategy on a defined set of states or regions.

İpek goes on to suggest there has been an evolution in Kazakh foreign policy towards a *balanced* multi-vector foreign policy. In the first decade it was Russia that Kazakhstan depended upon through the close integration of industrial enterprises into the Soviet economic system;⁷⁴ in the second decade it was the West that provided technological support to develop the oil economy;⁷⁵ and more recently Kazakhstan has turned to China as a secure buyer that was willing to circumnavigate Russian control.⁷⁶ Whilst the individual elements of this argument are accurate, one does not necessarily draw the same conclusion. Another interpretation of the same data would be that Kazakhstan has been consistently and slowly seeking to reduce Russian control and find a new suitor which does not interfere in its domestic affairs. In the beginning, there was no alternative to Russian foreign assistance, but as Russia turned away from Central Asia, so space has opened for alternate market actors. And whilst, India has shown interest in oil acquisitions in Kazakhstan, most recently in the Kashagan project, the bid by the Indian state firm was rejected in favour of China's CNPC. If Kazakhstan was merely looking for alternatives and more opportunities to balance powers it would surely

⁷³ Reuel Hanks, 'Multi-vector Politics' and Kazakhstan's Emerging Role as a Geo-Strategic Player in Central Asia', *Journal of Balkan and Near Eastern Studies*, Vol.11 (2009), p.257.

⁷⁴ İpek, 'The Role of Oil and Gas in Kazakhstan's Foreign Policy', pp.1180-3.

⁷⁵ *ibid*, pp.1183-7.

⁷⁶ *Ibid.*, pp. 1187-92.

have welcomed an alternative to the increasing presence of Chinese firms in its core industries. This would suggest that Kazakhstan is pursuing a complex policy of balancing by working with rising powers that offer the least threat to its independence, rather than simplistic power balancing.

In the last five years, the revenues generated from its natural resources, combined with Kazakhstan's confidence from strong growth, have allowed it to renegotiate its contracts with all IOCs. In one of the world's largest off-shore oilfields, Kashagan, the government has shown its autonomous decision making capabilities. After threatening renationalisation of the field earlier in the project, the government used its renegotiated pre-emptive rights in 2013 to reject India as a bidder for ConocoPhillips share of the field, and made little attempt to reconcile Statoil leaving the Abai oil project in the same year. Kazakhstan has also renegotiated its contracts to give the state oil company, KazMunaiGaz, the right of first refusal on all oil projects. This, combined with renegotiated Production Sharing Agreements and excessive profit taxes, has altered the Kazakh position in its energy market.

Squeezing Out Russia

Sino-Russian relations are not what they first appear. On the surface both countries enjoy a strengthened union through the Shanghai Cooperation Agreement (SCO) which promised to redress previous decades of mutual mistrust and form a consensus on the protection of Central Asia from US influence. Russia and China have island disputes with Japan in common, with each country backing the other's claim to the territories of Kurile and Diaoutyi/Senkaku respectively.⁷⁷ Trade has deepened the relationship further still with Russia supplying arms and oil to China in a convenient exchange for manufactured goods. And yet, under the

⁷⁷ The Diplomat, 'Asia's Other Island Spat...Between Japan and Russia', *The Diplomat*, 24 January, 2013, accessed 13 January 2014, <http://thediplomat.com/2013/01/history-aside-a-russian-japan-rapprochement/>

agreements and handshakes very real fractures are beginning to emerge in the relationship, with profound consequences for how the pair behaves both toward each other and in Central Asia.

Tensions between Russia and China stem from the imbalance between a former colonial power and the seemingly unstoppable progress of a rising world power. Where once China was grateful for Russia's indifference to the West's arms embargo, it now feels constrained by the inferior Soviet-era weapons systems it is offered, especially in comparison to the higher quality goods it is increasingly able to domestically manufacture.⁷⁸ Indeed it is China's manufacturing industries that have economically propelled it above its neighbour and provided it with alternative allies against US hegemony such as Tehran and New Delhi. Russia's historical fears of a dominant neighbouring state with a large population have come true. Furthermore, China's success in Central Asia acts as a reminder of the shrinking influence of an increasingly antagonistic, nationalistic Russia.

Once the Kazakhstan-China pipeline is operating at full capacity in 2014, Kazakhstan will be a more consistent source of oil. Russia has past record for using its energy supply as a method of controlling political events, as experienced by Europe, and in particular Ukraine. It was during the construction of the Central Asia-China Pipeline that the first signs of energy competition between China and Russia began to emerge. The diminishing production capacity of Gazprom forced Russia to purchase more gas from Central Asia to meet European demands, whilst Turkmenistan wanted to secure Chinese funding by supplying direct to the East.⁷⁹ Russian unhappiness at this turn of events was expressed through the delayed construction of the Russian pipeline to 2010.

⁷⁸ N. Swanstrom, 'Transformation of the Sino-Russian Relationship; from the Cold War to the Putin-Era' in R. Bedeski, & N. Swanström, (eds.), *Eurasia's Ascent in Energy and Geopolitics: Rivalry or Partnership for China, Russia, and Central Asia?* (New York: Routledge, 2012).

⁷⁹ D. Kimmage, 'Turkmenistan-China Pipeline Project Has Far-Reaching Implications', *Radio Free Europe*, 10 April, 2006, accessed 11 January 2014, available from <http://www.rferl.org/content/article/1067535.htm>

Perhaps the most defining characteristic of Russian strategy towards Central Asia has been inconsistency. The initial presidency of Vladimir Putin saw Russia take on the role of regional mediator, drawing the five countries together in regional cooperative agreements, but choosing not to side with any one state over localised disputes such as water shortages and land boundaries. The 'modernizer' Medvedev continued with broad policy directives, soft power-styled attempts at drawing in the states but in the face of financial crisis and domestic unrest this amounted to little. Since 2012, the new Putin-era has seen a 'divide-and-conquer' strategy.⁸⁰ Kazakhstan has become the chosen state, receiving the most official visits, with Kyrgyzstan and Tajikistan valued second and Uzbekistan and Turkmenistan, with their more authoritarian leaders neglected and left to operate as dependent states.

Whilst Russia has pursued multiple strategies since *Perestroika*, China has remained consistent in its approach and has delivered on its promises. Marking the culmination of a recent wave of visits to Kazakhstan, President Xi Jinping signed a \$30 billion agreement to begin with immediate effect for the purchase of a stake in Kashagan and loans to Baiterek, the Kazakh state fund for industrial development projects. Whilst Asia observers have regarded this as a new development in China-Kazakh relations, this is not the case.⁸¹ China has always been interested in the oil fields and political process of Kazakhstan, as its closest oil producing neighbour to the West, it is only now that Kazakhstan has made it possible for Chinese firms to enter the market in such high profile manner.

Previously, China has moved with caution into the Kazakh oil market. Earlier ventures by Chinese firms, when China did not possess such high disposable income or its firms such technological expertise, were into smaller, more mature oil fields. CNPC made it largest ever

⁸⁰ A. Cooley & M. Laruelle, *The Changing Logic of Russian Strategy in Central Asia: From Privileged Sphere to Divide and Rule?* Eurasia Policy Memo, July 2013, No. 261 PONARS.

⁸¹ A. Filous, 'China's Central Asia Overtures: Why Now?' *The Diplomat*, 6 November 2013, accessed 13 January 2014, <http://thediplomat.com/2013/11/chinas-central-asia-overtures-why-now/>

acquisition in 2005 when it purchased PetroKazakhstan for \$4bn, but then stepped back from the pursuit of Canadian oil firm 'Nations Energy' that was on the market and receiving offers from a number of firms including Lukoil. This retreat by CNPC was in direct response to the amendment of Article 18, paragraph 3 of the Law Concerning the National Security of the Republic of Kazakhstan. This amendment gave the government the right to block any transactions which 'may entail concentration by one entity...of rights associated with the performance of petroleum operations'. It was obvious therefore that the Chinese oil giant's reluctance to deepen its interests in the Kazakh oil fields was intended to protect its long-term interests in the region. In short, it reflected a fear of moving too quickly for the Kazakh government, rather than a lack of interest in pursuing the Kazakh market.⁸²

Politically the presence of China in Russia's 'backyard' is awkward. Chinese firms are increasingly successful at securing contracts that would once have been made available to Russia, and not just in Kazakhstan but across the region. The power imbalance between the two states is beginning to fracture their working relationship and play into rising Russian nationalism. Furthermore, China's presence in the region is forcing out other actors that have sought to enter. The Kashagan project saw ONGC Vidash, the Indian state firm usurped as the contractor following the withdrawal of US firm ConocoPhillips in 2013. What happens in Kazakhstan's oilfields has international geopolitical ramifications.

Contrasts with Western Approaches

It is not just the sheer size of Kazakhstan, the remote locations and poor infrastructure or the offshore drilling that makes Kazakhstan a difficult place to look for oil, it is also the harsh temperatures ranging from -40°C in the winter and up to 40°C in the summer. Furthermore

⁸² US Embassy, Astana, 'Kazakhstan: China National Petroleum Corporation Acquires', *WikiLeaks*, 2009, available from <https://wikileaks.org/astana/2009/04/23/09astana678-kazakhstan-china-national-petroleum-corporation-acquires/>

there have been significant changes within the industry as a result of rising awareness of climate change and major alterations to health and safety compliance following a series of serious oil accidents in recent years. In combination, these factors have all contributed to raising the cost of production, increasing the amount of capital required to begin oil extraction and therefore the risk of any project undertaken in Kazakhstan. When operational risk is combined with strategic risk through the filibustering of the state, the costs increase further, as in the case of Kashagan, the largest of the Kazakh oil fields, which has now become the most expensive oil field of the last 40 years.

It is therefore geography, climate, technology and financial resources that define the strategies of China and the West in Kazakhstan. Western firms take a zero-tolerance attitude towards accidents whether that is on site or in the offices. They generally speaking have more experience in technologically demanding locations, the artic or deep seas rigging, and bring a high level of expertise to a site, but at a considerable cost. There also exists a spectrum of European firms that are more or less committed to compliance, with Norwegian firms the most overtly committed to the cause, with anecdotal industry advice suggesting Italian firms sit at the other end of the scale.⁸³ Not only does this change the ability of the firms to gain access to sites, it also creates a different working culture once the field becomes operational. Chinese firms have more of a reputation for accepting and facilitating a culture of low compliance raising the interest of local political and industry figures, but diminishing the 'ease of doing business'.⁸⁴

Meanwhile, the advantage Western firms gain in technology they lose in attitude. Continuously, the firms ignore quotas for local personnel, and after being in Kazakhstan for over 20 years, there are no Kazakhstani citizens installed as managing directors of major oil

⁸³ BP Representative, Astana, 3rd March 2013.

⁸⁴ BP Representative, Astana, 3rd March 2013.

and gas exploration and production projects.⁸⁵ In an effort to contribute towards the development of staff and mollify the Kazakh government, CNPC has invested heavily in its local staff development programs for management and administrative staff since 2012. Furthermore, there is a difference in perception between how the Kazakh government views its business climate relative to other resource-rich states and how they perceive they are being treated by Western firms. The Chinese firms are willing to pay the market price to secure their investment. In the recent bid for Kashagan, CNPC was able to pay the full amount asked for by the Kazakh government, unlike the bid that India's ONGC offered.⁸⁶

Conclusion

The difference between Kazakhstan's relationship with Russia and with China is almost entirely opposite. Russia's long history in the country, ostensibly still in evidence because of the historical and linguistic connections, contrasts with China's barely visible presence yet increasing importance for the future of Kazakhstan's economic development. Unlike Russia, China has committed financial resources and preferential trade agreements to augment its procurement of energy resources. This suggests that China is not replacing Russia, it is not seeking to become a 'protector' or even a guarantor, but instead is operating in the country with a minimalist presence, which is mutually desirable for both parties to ensure continued domestic government support.

In this sense, whilst Kazakhstan's foreign policy has often been labelled as "multi-vector", perhaps it is better understood as being opportunist. Kazakhstan has only selected China as its current favoured partner because it is the most viable option, but because it has negotiated the terms of trade, this relationship has been approached from a position of strength. Both

⁸⁵ US Embassy Astana, '10ASTANA198, Kazakhstan: First President Of Kazakh Oil Calls For', *WikiLeaks*, 16 February 2010, accessed 12 September 2015, <https://wikileaks.org/cable/2010/02/10ASTANA198.html>

⁸⁶ Gordeyeva, M., 'China buys into giant Kazakh oilfield for \$5 billion', *Reuters*, 7 September, 2013, accessed 12 September 2015, <http://www.reuters.com/article/2013/09/07/us-oil-kashagan-china-idUSBRE98606620130907>

China and Kazakhstan have been subject to narratives that obscure their actions. China has been identified as a threat, with an aggressive monolithic state-driven foreign policy that is played out through the energy industry. It has also been labelled as 'apolitical' in its foreign policy, with a blanket approach to developing countries. By showing that there is a difference in the approach taken by China in Kazakhstan we can start to understand China as a more nuanced and political actor than previously acknowledged. More importantly, through the responses of the Kazakh state, and the types of deals that it has negotiated with China, we can see that Kazakhstan is not deserving of its passive reputation.

As a result of Russian sanctions and difficult reputation that Moscow has created through policy choices with Ukraine and Georgia, it is no longer the most obvious choice for China to partner with in its energy industry. A testing historical relationship, and a serious imbalance between the economic capabilities between the two countries has shifted the balance of power away from Russia towards China. Kazakhstan has been able to take advantage of its position as a regional Central Asian power and has effectively offered itself as an alternative centre to Russia for China's business. Deepening energy relations, the neutral stance of Kazakhstan, its position on the margins of Central Asia and proximity to the oil pipeline network have all contributed to this increasingly beneficial relationship.

One question persists: has Kazakhstan supplemented one centre for another? The Russian economic situation has stymied its ability to be an attractive funding partner on the same scale as China, and there is no wealthy patron elsewhere waiting to step in. Kazakhstan has so far managed to remain stable in its new relationship, addressing its desire for balance, but there is a possibility that it will have leveraged itself too far in the direction of China. So far China has shown itself unwilling to interfere in the domestic politics of the countries in which it invests, but for how much longer can it sustain this position? Most countries ultimately act to protect their investments and their interests. At what point will its leveraged assets overseas force China's need to protect its interests?

Chapter 7

Mirage on the Steppe: Kazakhstan, the EU, Europe and the US

In 2010, Kazakh Vice President Idenov sat down to a dinner of roast lamb and fine wine with US Ambassador Hoagland to discuss corruption. In the unwittingly recorded conversation, Idenov drew some interesting parallels between the capitalist democratic model and his own country's methods and afflictions, which Hoagland then reported word-for-word back to Washington:

*Listen, almost everyone at the top is confused. They're confused by their Soviet mentality. They're confused by the corrupt excesses of capitalism. 'If Goldman Sachs executives can make \$50 million a year and then run America's economy in Washington, what's so different about what we do?' they ask.*⁸⁷

According to Idenov, in Kazakhstan a market economy equates to unfettered capitalism, comprising of big money and large bribes for the best connected. If the Great Game of old was supposed to be a 'civilising' mission then oil too has had its cultural impact, and there is continuing evidence to suggest that there is widespread corruption within the energy industry, including reportage from the highest ranks of the Kazakh government that British and other European firms are involved.⁸⁸ Chinese firms exacerbate the problem of corruption in Kazakhstan,⁸⁹ but the Western firms do not have a perfect record as the scandal with the prominent Washington fixer James Giffen shows, along with the investigation into the CEO of

⁸⁷ Askat Idenov, Idenov, A., 'Kazakhstan: Money And Power', WikiLeaks, 2010 January 25, accessed 15 September 2015, https://wikileaks.org/plusd/cables/10ASTANA72_a.html

⁸⁸ *ibid.*

⁸⁹ For more information on the corruption system between China and Kazakhstan in the energy industry see Daniel O'Neil, 'Risky business: The political economy of Chinese investment in Kazakhstan', *Journal of Eurasian Studies*, Vol.5, (2014) pp.145–156.

the Italian energy giant, Eni, over bribing officials at the Kashagan field.⁹⁰ It is interesting to note that in interviews with Statoil, the Norwegian firm, escaping the culture of corruption was cited as a reason for the firm leaving the Kazakh energy industry in 2013.⁹¹

This confidential conversation between an ambassador and vice president captures an essential truth. The civilising mission that the old Great Game represented is still present in much of the Western interaction with Kazakhstan, from aid programmes, to school exchanges, to CSR programmes. And yet, despite these worthy endeavours there remains a double standard in place within many of the interactions. Kazakhstan must be ready and willing to engage in anti-corruption programmes, and abide by international standards, and embrace Western norms, but in the knowledge that many Western firms accept there is a cost of doing business in the region that, in turn, reflects Kazakhstan's own raw image of the West.

This double standard punctuates the relationship in many ways. The cultural ties and social foundations of the relationship are a one-sided affair, as Kazakhstan absorbs Western cultural norms, but are then reciprocated through the 'discourse of danger'. The War in Afghanistan was supposed to provide closer integration between Kazakhstan and America, yet there has been little material gain for Kazakhstan, or indeed, Central Asia. Similarly, whilst China's operating procedure has been heavily criticised, the Eastern neighbours are launching better funded and more realistic 'Silk Road' Infrastructure projects across the region, compared to

⁹⁰For details of China's supposed involvement in corruption see Richard Hoagland, '10ASTANA275, Kazakhstan: Minister Of Justice Praises Cooperation', WikiLeaks, 26 February, 2010, accessed 15 September 2015, <https://wikileaks.kz.wordpress.com/2010/02/26/10astana275-kazakhstan-minister-of-justice-praises-cooperation-with/>

For the Giffen case see Matthew Yeager, 'The CIA Made Me Do It: Understanding the Political Economy of Corruption in Kazakhstan', *Crime, Law and Social Change*, Vol.57, No.4, (2012), pp.441-457.

For the Eni case see Azamat Maitanov 'Kashagan To Be Ruined By Italian Convict And Our Businessmen In Ministerial Chairs', *Ak Zhaiq*, 1 April, 2014, accessed 15 September 2015, <http://azh.kz/en/news/view/3533>

⁹¹ Statoil Representative, KIOGE Energy Conference, Almaty, May 2013.

the American offerings. Further confusing the cacophony of messages is the presumption that 'West is Best' when it comes to models of energy industry governance.

This chapter seeks to understand the relationship between Kazakhstan and the 'West'. While 'West' and 'Western' are somewhat problematic labels, born of necessity to categorise the research, there are nevertheless some merits to this framing of the problem.⁹² Firstly, this is a meaningful distinction that is present within colloquial dialogue in Kazakhstan. Secondly, it is a distinction experienced within elite interviews discussing the nature of the energy industry, and the division is born of differences in the standards with which the firms must comply. Thirdly, whilst there are international norms, the degree of oversight and enforcement varies greatly from country to country. Fourthly, the energy companies of the American and European firms play a very similar role in the energy industry, as they both tackle the most technologically advanced projects, going where the Chinese, Russian and Indian firms cannot. To this extent at least, there exists a complex grouping of ideas that constitutes an understanding of the 'West' within Kazakhstan.

In the Great Game literature, America looms as a powerful force, particularly because of the War in Afghanistan, one of the longest wars of the last hundred years. However within the confines of the marginality framework, there are reasons to re-evaluate this relationship. Russia and China are both centers of power within close proximity to Kazakhstan. The European states and the US are aligned with Kazakhstan through trade and cultural analysis but do they have political power enough to affect Kazakh autonomy? The chapter begins by analysing the cultural exchange between the US and Kazakhstan; can the US lay a claim to influence Kazakhstan through cultural means similar to Russia or does it hide its face, similar

⁹² Jan Ifversena, 'Who are the Westerners?', *International Politics*, Vol.45, No.2 (2008), pp. 236–253. See also the introduction to Christopher Browning & Marko Leh (eds.), *The Struggle for the West: A Divided and Contested Legacy* (London: Routledge, 2010), pp.3-5.

to China? The chapter asserts that the US government views the relationship through the prism of the Afghan War, and as a result tries to co-opt the state into its programmes for regional development and security such as the “The New Silk Road”. The chapter deliberately contrasts the different approaches to regional integration taken by America and China, and asks who has revitalised the old merchant trope to greatest effect. Returning to the economic connections to examine the experience of US commercial entities in the region, the chapter explores the link between international oil firms, the state and the local population in the oil producing areas.

The second half of the chapter concerns the European firms that are located in Kazakhstan. If, as the chapter assumes, there is less cultural exchange between Kazakhstan and the ‘West’, to what extent is there a distinct ‘European’ voice in Kazakhstan? The chapter begins by examining the role of the EU and its member states, and asks what, if anything, Kazakhstan can learn from the experience of such heavy external involvement in its core industries. In theory, Kazakhstan should be a significant destination for the collaborative efforts of the European energy industry, but there is something obstructing this. If Kazakhstan is encouraging European involvement in the energy industry, does this mean that it should be emulating it? Norway is often considered a model that other developing states should seek to emulate, but does this model of energy governance fit with the local experience and tradition?

The concept of marginality is not only important to our understanding of Kazakhstan’s relationship with Russia and China, but also with the Western states. The relationship with the Western states is more complex because each state has a smaller unilateral relationship with Kazakhstan, but cumulatively these are vital to the Kazakh economy. Understanding Kazakhstan’s autonomous and marginal position here means understanding the degree to which Kazakhstan seeks to emulate the centre of power, how it manages its relationship with

the power, and if it is able to achieve and negotiate according to its own principles. The role of marginality here is not to create a proximity-based understanding of geopolitical power, but instead to break with the Great Game assumption that Kazakhstan is powerless in its dealings with the West.

Cultural Exchange and Historical Ties

Kazakhstan, like many developing countries, understands the charisma of capitalism. If Russia is 'old news' and China is 'under the radar', the siren call of Western style consumerism is well and truly manifested in city life. In Astana and Almaty, Kazakh culture and customs connect with fantasies of LA lifestyles, and mix again with Russian taste. Norman Foster has won many contracts here in the new capital, filling the centre with eccentric tent and pyramid-shaped buildings, helping to cement the cultural 'arrival' of the city and soothe the ego of the President.⁹³ In a bid to keep up appearances, whole avenues of enormous themed restaurants line the city and they remain empty except for a smattering of government staff, with rumours circulating of money laundering. Similarly, amongst the fleets of Porsches and Maseratis, there are rows of scuffed Geelys and Ladas showing a glimpse of regular life. Whatever modern image Kazakhstan tries to project, there are always signs of the serious flaws beneath the shiny surface.

To understand the effect that America has upon the public imagination, consider the thousands of children who enter annual competitions for the opportunity to spend a year living with American host families. The FLEX programme, as it is known, is rarely what the children imagine. They are often sent to religious families in the mid-west, and can struggle not only with language but also with cultural adjustment and, sadly, often racial prejudice.⁹⁴ Amongst

⁹³ The Khan Shatyr Entertainment Centre is worth looking at simply for the wonder of its design.

⁹⁴ Interview Alice Raymond, FLEX Programme Director, Interview, American Council in Kazakhstan, 13 August 2013.

the teenagers of the elite class, there is a strong recognition of American cultural symbols such as actors, politicians and athletes.⁹⁵ The superficial acquisition of a 'Western lifestyle' appears to be prioritised by the rising middle classes, but with little critical understanding of the structures that have created such a 'standard of living'. This results in a skewed perception of American and European cultures, often exacerbated by the influence of ostentatious cultural products and the affluent expat communities that circulate.

In return, Central Asia is at best ignored and at worst othered as a dangerous, empty space that needs to be civilised. Fear of the unknown has generated inaccurate populist narratives and 'discourses of danger' are presented time and again by Hollywood. More recently, this representation has shown itself to be more self-aware. Take for example the almost mocking and jubilant caricatures of the American animated HBO show *'Archer'* which goes so far as to knowingly poke fun at the apparent inability of the show's hero to tell the difference between any of the '-stan's'. However, the accurately depicted traditional dress and cultural insignia gives the game away as to the location, and more importantly, shows a nod toward to the earnest research that has been undertaken.⁹⁶ Whether the result of public indifference or strategic appropriation, there are very few popular narratives that accurately portray the newly independent republics, and certainly not in a way that would be recognised in Kazakhstan. The cultural exchange of the Western-Kazakh relationship is therefore a one-sided affair.

Whilst these are general representations for public consumption, perhaps more worrying is the recent history of the policy literature that has permeated political relationships. The War in Afghanistan has further obscured the Central Asian states as confusing messages from the '–

⁹⁵ Recognition was high for 100 degree level students asked about a range of celebrities from politicians, to actresses, sportsmen and women. The discussions took place as part of lectures taught at KIMEP University, 2013.

⁹⁶ *'Once Bitten'*, *Archer*, Season 4, Episode 6, USA, HBO, February 21st, 2013.

stans' are brought to the West.⁹⁷ The radical regrouping of the State Department in the wake of September 11th redefined Kazakhstan, strategically moving it from Europe and instead linking it with Afghanistan showing a significant reimagining of the role and place of Central Asia, and having repercussions for foreign policy in the region.⁹⁸ Central Asia was no longer post-Soviet, instead it was an extension of culturally, linguistically, religiously, different states with which Kazakhstan has little trade or diplomatic exchange.⁹⁹

From 1991 onwards, we see a gradual integration of Western money and culture seep into Kazakhstan that was unique and by no means part of a wider regional pattern. When Martha Brill Olcott describes the collection of newly independent states in 1992, she paints a scene of fragile economies damaged by their reliance upon Moscow, riddled with rent-seeking behaviours, and reluctantly accepting their fate (apart from the arrogant leadership choices of the Uzbek leader Islam Karimov).¹⁰⁰ Given their delicate economic situations, and dramatically different economies and natural endowments, it is no wonder that they each pursued different strategies into independence and beyond. The natural endowments of Kazakhstan were echoed in the gas deposits of Turkmenistan. Yet whilst Kazakhstan sought investment from the West, Turkmenistan looked to Iran for support of its industry and continued on to what would become an insulated economy through the strange personality cult of its leadership.

⁹⁷ S. Neil Macfarlane, 'The United States and Regionalism in Central Asia', *International Affairs*, Vol.80, No.3 (2004), pp.447–461.

⁹⁸ William Golding, Interview, Astana, 3rd April, 2013.

⁹⁹ Roy Allison, 'Regionalism, Regional Structures and Security Management in Central Asia', *International Affairs*, Vol.80, No.3 (2004), pp.463.

¹⁰⁰ Martha Brill Olcott, 'Central Asia's Catapult to Independence', *Foreign Affairs*, Vol.71, No.3 (Summer 1992), pp.108-30.

The American Government and the Battles for the Silk Road

'The US Government remains committed to its relationship with Kazakhstan'.¹⁰¹ This was the official message from the US embassy in Astana after the announcement of troop withdrawal from Afghanistan. By mid-2013, President Obama had announced the US 'pivot to Asia'.¹⁰² Not only is the term 'pivot' lifted directly from the lexicon of geo-strategist, Halford Mackinder, but by referring to 'Asia', he is actually making reference to the Asia-Pacific region. Effectively this is a pivot away from Central Asia, away from Afghanistan and Pakistan and the northern Central Asian states and onto the next geopolitical hotspot fuelled by the notion of long-term strategic competition with China. And yet, despite the supposedly new framework for Obama's foreign policy, very little of this has actually resulted in action, and instead if anything, operationally there has been a 're-pivot' to the Middle East with Syria, Iraq, Iran and Yemen taking the majority of the attention. So if the relationship between the US and Kazakhstan is not of central importance, it is not clear from the current Great Game literature, what this relationship is.

Fathoming the true scope of the relationship is rendered more problematic by the Kazakh-US relations literature itself. There are two very distinct voices that dominate the literature. The first is the already discussed notion that Soviet/ Russia specialists apply their knowledge to Central Asia after-the-fact. The second dominating voice in the literature is that of the American writers. The sheer scale of American think-tank/academic writing means that American academia commands the largest voice on a given subject, and particularly on a region less studied than many others. This is made yet more difficult by the close links between the US government and much of the leading academic writing on the region. The leading example of this is the Jamestown research cluster, *The Central Asia-Caucas Institute Silk Road Studies Program*. The head of the cluster, Frederick Starr, is a leading academic in his

¹⁰¹ William Golding, US Embassy to the Republic of Kazakhstan, Astana, March, 2013.

¹⁰² Kurt Campbell and Brian Andrews, 'Explaining the Pivot to Asia', *Chatham House*, 2013, August p.3.

field whose work is linked rather closely to the foreign policy strategy of the US towards Central Asia, and indeed has worked with Hilary Clinton during her time as Secretary of State in the founding of the Silk Road program.¹⁰³ This dynamic between academia and politics leads to a heavy US bias, and a tendency to overinflate the role of the US in the region, and is particularly true of a recent report upon Kazakh-US relations.¹⁰⁴ This is not to suggest that the centre does not produce excellent research, it is clearly of a very high quality, but it often prioritises the role of the US and overextends its importance in the region, its ability to influence the state, and the role of Kazakhstan in regional stability. Kazakhstan's regional significance is not predicated on the War in Afghanistan, but by emphasising the role of the US it is in danger of being understood in this way.

At the beginning of the War in Afghanistan, the role of Kazakhstan was more clearly defined. Russia was 'leaning' towards the West, offering its condolences over the September 11th attacks and cooperating through NATO-Russia negotiations over the movement of military equipment through the region.¹⁰⁵ Central Asia at this time was inclined to cooperate with the US in exchange for the financial rewards and other deals with the US.¹⁰⁶ Importantly, Kazakhstan's agreement to facilitate the Northern Distribution Network agreements for the transit of non-lethal supplies allowed the US to circumnavigate the vulnerable Khyber Pass route through Pakistan.¹⁰⁷ The US also used Kazakhstan as an alternative to other Central Asian partners at times when these other relationships faltered; Kazakhstan entered into

¹⁰³ Joshua Faust, 'The Brilliant, Unworkable New Silk Road', *The Atlantic*, 11 October 2011.

¹⁰⁴ In particular, the following report emphasises the nature of the work of the institute. It asks how Kazakhstan can benefit the US government rather than as a bipartisan reflection upon the nature of the relationship Frederick Starr et al, 'Looking Forward: Kazakhstan and the United State', *Central Asia Silk-Caucuses Institute Silk Road Studies Program*, (2014), pp.16-30.

¹⁰⁵ John O'Loughlina, Gearoid Ó Tuathailb, & Vladimir Kolosovc, 'Russian Geopolitical Storylines And Public Opinion In The Wake Of 9–11: A Critical Geopolitical Analysis And National Survey', *Communist and Post-Communist Studies*, Vol.7, No.3 (2004), p.281.

¹⁰⁶ For more details of the power dynamics and deals that took place across Central Asia see Alexander Cooley, *Great Game, Local Rules: The New Great Power Contest in Central Asia* (New York: Oxford University Press, 2012), pp.30-51.

¹⁰⁷ Roman Muzalevsky, 'NATO-Kazakhstan Transit Agreement: Unleashing the Potential of Northern Supply Route', *Jamestown Daily Monitor*, 24 February 2010.

bilateral agreements in 2002 as an emergency alternative to Kyrgyzstan's Manas base. As a result of the agreement, there followed 6,500 overflights, and 60 divers.¹⁰⁸ The US has sought more indirect opportunities to use the Central Asian states as a means of achieving goals in Afghanistan through the creation of the Trade and Investment Framework Agreement (TIFA). The network, which comprises the five Central Asian states, became a key focus for the US government to find ways to include Afghanistan in the agenda of the talks.

In 2006, the WikiLeaks database release of US government documents and emails radically altered our understanding of the functions and capacity of the US government. Whilst the information leaked revealed great swathes of data that transform our comprehension of the War in Afghanistan, the Iraq War, Guantanamo Bay, corruption in Kenya to name but a few of the high-profile subjects the leaks covered, it has given insights into the US governments understanding of many other regions and countries beyond these headline stories.¹⁰⁹ In the case of Kazakhstan, the emails released focused mainly upon the regular briefings between Ambassador Hoagland and Washington and Kazakhstani officials. Because of their candid nature, we are better able to compare the official (and tired) rhetoric one often encounters during formal interviews with the private views of government representatives and the events behind the scenes.

By the time of these leaks, the relationship had drifted; Kazakhstan's involvement in the US projects was no longer as strategically important and President Obama's distant behaviour was hampering relations. American diplomats working in Kazakhstan sent back a very

¹⁰⁸US Embassy Astana, '09ASTANA2099, Kazakhstan: Presidential Entrepreneurship Summit' *WikiLeaks*, 30th November 2009.

¹⁰⁹ For a good example of how WikiLeaks has incorporated into geographical research see John O'Loughlina, Frank D. W. Witmera, Andrew M. Linkea & Nancy Thorwardsona, 'Peering into the Fog of War: The Geography of the WikiLeaks Afghanistan War Logs, 2004-2009', *Eurasian Geography and Economics*, Vol.51, No.4 (2010), pp.472-95.

particular and characterful analysis of the relationship between the two states. President Nazarbayev continued to place great importance upon receiving an invitation to the White House and being seen in the Oval Office. Repeated requests were made to the American Embassy in Kazakhstan for President Nazarbayev to meet with President Obama over many months and years. Such a strong desire for symbolic gestures, with no request for a particular trade agenda to accompany this meeting, is emblematic of the Kazakh President's need to be acknowledged by the US, and underlines the extent of the soft power, together with the cultural impact of the US in the region.

Another obsession of President Nazarbayev was in gaining the chair of the OSCE, which became a pressing aspect of his personal agenda in his relationship with the West. This is important in understanding the causes of difficulties in the relationship, because as the WikiLeaks confirm, there is little room for the American diplomatic staff to negotiate with the middle or lower ranks of the Kazakh state. American objectives are usually only achieved when there is a direct diplomatic connection to the president's office.¹¹⁰ In Astana, lower ranking government officials are either unable to operate because of stifling Soviet era bureaucracy or are unable to make decisions without consent of the leadership. Further examples of the difficulties in the relationship are revealed by the inability of small requests to be facilitated by either side. For example, the US government failed to gain the tax exemptions for which it had been lobbying the Government of Kazakhstan that related to US assistance programmes. Other examples include the decline in the number of overseas student exchanges to the US, the repeal of the 1974 Jackson-Vanik Amendment, and American indifference to Kazakh requests for more support to secure its interests in the Caspian Sea.¹¹¹

¹¹⁰ US Embassy Astana, 'Kazakhstan: Whither In 2006', WikiLeaks, 24 February, 2006.

¹¹¹ Ibid.

Transport links also underline seeming American indifference. Frederick Starr conceived the latest 'New Silk Road Project' in the mid-2000s,¹¹² Hillary Clinton talked about implementing it in 2011 as Secretary of State,¹¹³ meanwhile China implemented a 'Silk Road' programme of its own in 2014.¹¹⁴ We know what the Silk Road was historically: an organic web of routes connecting Asia, Africa, Europe and the Far East along which trade, religion and migration spread.¹¹⁵ Far more than material goods were disseminated, as ideas, art and disease curved their way around the globe, accompanied by war and conflict. This epitomises the difference in the strategic cultures of these two states and highlights the divergent approaches to the region. Both are reinvigorating romantic narratives as a possible solution to the stagnation of the region's development, but only one has committed the resources to bring the project to fruition.

Hillary Clinton's Silk Road concept was based upon the work of Central Asia-Caucasus Institute & Silk Road Studies Program led by Frederick Starr. It was to be an infrastructure network designed to improve the transit of goods across the region, boosting trade for all, and connecting East with West.¹¹⁶ The American policy approach, and the academic research it was based upon, views Central Asia through the troubled optic of Afghanistan, with an emphasis on promoting regional stability.¹¹⁷ Accordingly, the key projects of the programme are the TAPI pipeline project, energy projects in Afghanistan, rebuilding of the road network of Afghanistan, a Regional Cooperation Framework to improve trade, a CASI electricity grid

¹¹² Frederick Starr, (ed.), *The New Silk Roads: Transport and Trade in Greater Central Asia*, 2007, <http://www.silkroadstudies.org/new/inside/publications/GCA.html>, (accessed 16 September 2015).

¹¹³ Younkoo Kima & Fabio Indeob, 'The New Great Game in Central Asia Post 2014: The US "New Silk Road" Strategy and Sino-Russian rivalry', *Communist and Post-Communist Studies*, Vol.46, No.2 (2013), pp.275-6.

¹¹⁴ Ben Simpfendorfer, *The New Silk Road: How a Rising Arab World is Turning Away from the West and Rediscovering China* (London: Palgrave, 2011), pp.8-15.

¹¹⁵ For a more detailed explanation of cultural exchange across the Road, see Xinru Liu and Lynda Schaffer, *Connections Across Eurasia: Transportation, Communication, and Cultural Exchange on the Silk Roads* (New York, McGraw Hill, 2007).

¹¹⁶ Frederick Starr and Andrew Kuchins, *The Key to Success in Afghanistan: A Modern Silk Road Strategy*, Washington D.C, Central Asia-Caucasus Institute & Silk Road Studies Program, 2010, p 9, available from http://www.isdp.eu/images/stories/isdp-main-pdf/2010_starr-kuchins_key-to-success.pdf

¹¹⁷ Starr and Kuchins, *The Key to Success in Afghanistan*, p.10.

to supply Afghanistan and a Cross Border Transport Accord to improve cross border trade in the region.

Many of these projects are bold and well intentioned. If they had come to fruition they would have had a transformative impact upon the region. However, in the majority of the projects, America was the coordinator as opposed to the financial backer and they have stalled. In the case of the CASI electricity grid, the US committed only \$15 million, of the total \$1 billion expected cost.¹¹⁸ Furthermore, the TAPI pipeline project, a scheme connecting Turkmenistan, Afghanistan, Pakistan and India, has gone wildly over budget and has not yet come close to completion. When one considers the countries involved in that collective it is not difficult to imagine why; Turkmenistan is a barely functioning dictator-led state and all of the states have serious corruption issues.

Furthermore, the Central Asian states have a poor record in the realm of regional integration, and there is little to incentivise wealthier states such as Kazakhstan to want to be integrated into the Afghan market. The closest Kazakhstan has come to becoming involved is through a pledge to provide scholarships to Afghan students to come to Kazakh universities, which it should be noted, all teach in Russian, or English. As such, this proposal is based upon a Western need to secure a foreign policy agenda, and it so happens that the externalities of that decision are intended to bring improved transport links to the region, rather than Kazakhstan and its neighbours being a foreign policy priority in their own right. Meanwhile, the effects of the War in Afghanistan upon the northern states of Central Asia have been limited and therefore Afghan development is not a strategic goal for Uzbekistan, Kyrgyzstan or Kazakhstan.

¹¹⁸ World Bank, 'Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000)', *World Bank*, available from <http://www.worldbank.org/projects/P145054?lang=en>

By comparison, China's New Silk Road is defined by economic focus and wider regional connectivity. China's economic growth, whilst still impressive, has been slowing in recent years. By playing an active role in developing the economies of neighbouring countries, it hopes to offset this by developing its future markets. China's Silk Road also has an aquatic element, and so the development plans include the 'Maritime Silk Road', which would expand ports across the Persian Gulf and beyond.¹¹⁹ As of 2014, this has been backed by \$30 billion deals with Kazakhstan, \$15 billion with Uzbekistan, \$3 billion with Kyrgyzstan and a \$40 billion Silk Road Development Fund.¹²⁰

China's scheme is more transparently self-serving and has been less planned. Nevertheless, it has secured the financial backing to provide positive externalities for the states along the 'Road'. It was in Kazakhstan that President Xi Jinping announced the Silk Road, and it was with \$30 billion allocated to Kazakhstan that the first phase of the Road was launched with an early emphasis on the natural resources of the region. Meanwhile, unlike Washington, the government of Beijing has cultivated bilateral relationships with each of the Central Asian states, making Kazakhstan the clear leader of its regional vision. Unlike the American programme, this project has been bilaterally negotiated, avoiding the need for regional cooperation in its success. China's Silk Road is also far more extensive, extending into Central Africa and to Northern Europe, instead of making Afghanistan the main focus, in the Chinese model, Afghanistan is this time a mere externality of the project.

¹¹⁹ For more on the Arab segment of the 'road' see Ben Simpfendorfer, 'The New Silk Road; How a Rising Arab World is Turning Away from the West and Rediscovering China', (Palgrave MacMillan: Basingstoke), 2011.

¹²⁰ James MacBride, 'Building the New Silk Road', *Council on Foreign Relations*, 25 May, 2015, <http://www.cfr.org/asia-and-pacific/building-new-silk-road/p36573> accessed 16 September 2015).

If America's purpose in proposing a New Silk Road was centred upon 'fixing' Afghanistan, so China has its own geopolitical agenda too. The root of its sprawling 'road' is in Xinjiang. This western province of China has been a continuous source of tension for the local and central government because of rising Muslim separatist movements in the region, which are underscored by other political developments in the region such as low productivity rates, employment and welfare¹²¹. Both the US and China are following quasi-imperial ambitions. For all China's discussion of the wider economic benefits to the entire mission, it also integrates Central Asia into a sphere of growing Chinese influence, and investment of capital on such a spectacular scale secures a certain degree of loyalty. At a time when there is rising antagonism in the South China Sea, this is a dramatic display of the potential of China to expand quickly across the region to exploit alternative opportunities, using the umbrella of development. It is all too easy to view this as a 'failure' of American engagement with Central Asia. Nevertheless, with no contiguous borders or obvious points of traction, why should it succeed over China? Historically it has almost no role in the region, has had little economic interaction with wider Central Asia and beyond securing a more positive regional legacy, such a scheme is of little direct economic benefit to the US.

Addressing the American Chamber of Commerce, Geoffrey Pyatt, the lead US diplomat superintending South and Central Asian affairs, made some intriguing remarks that seem to summarise the American position on Kazakhstan.¹²² He started by highlighting the 'relationship with Kazakhstan as perhaps our deepest and broadest in Central Asia', then bemoaning the fact that 'Central Asia remains one of the least integrated areas of the world' before lecturing the mainly Kazakhstani audience about the fact that 'Central Asia lies at the

¹²¹ Brenda L. Schuster, 'Gaps in the Silk Road: An Analysis of Population Health Disparities in the Xinjiang Uyghur Autonomous Region of China', *The China Quarterly*, Vol.198, No.1 (2009), pp.433.

Michael Clarke, 'Widening the Net: China's Anti-Terror Laws and Human Rights in the Xinjiang Uyghur Autonomous Region', *The International Journal of Human Rights*, Vol.4, No.4 (2010), pp.543.

¹²² Geoffrey Pyatt served as Principal Deputy Assistant Secretary of the Bureau of South and Central Asian Affairs from May 2010 until July 2013 before becoming US Ambassador to the Ukraine.

crossroads of Europe, Asia, and the Middle East'.¹²³ Pryatt's presentation then degenerated into a list:

*Over the past 20 years American companies have invested more than \$16.5 billion in Kazakhstan, with much of that investment focused on the extractive industries particularly the energy sector. But our investment in Kazakhstan hasn't been totally one-dimensional; U.S. companies increasingly recognize the immense opportunities that exist in other sectors of Kazakhstan's economy. Up north in Astana, our Embassy chalked-up 57 concrete export successes in 2011 valued at \$7.8 million, and two commercial diplomacy successes valued at \$3.4 million.*¹²⁴

In fact, his statement clearly outlined the American interest in Kazakhstan as being largely *one-dimensional*. If we compare the \$16.5 billion investment over 20 years with the \$30 billion investment in a single year from China, the limited scale and commitment to the region becomes clear. The focus on concrete exports also underlines the difference. American involvement is narrowly directed at the energy industry, and the chief role of the state is to support its IOCs working in Kazakhstan. Any interest in supporting Kazakhstan beyond that is based upon the need to secure the energy transit routes that are currently perceived as monopolistic and over-reliant upon Russia.

Pryatt's statement forms part of a long and honourable tradition of ideational foreign policy in the United States in which he emphasises political liberty and free markets, yet which conflates this seamlessly with American economic interest. As Christopher Thorne has argued, this often results in a zealous belief that American ideals are synonymous with freedom in the

¹²³ Geoffrey Pyatt, 'Kazakhstan's Place on Central Asia's New Silk Road', Almaty, April 20th, <http://www.state.gov/p/sca/rls/rmks/2012/188175.htm> (accessed 16 September 2015)

¹²⁴ Ibid.

wider world.¹²⁵ The work of Pearl Buck, a popular essayist on American policy towards Asia who was brought up in China, and the first woman to win the Pulitzer Prize for Fiction, exemplifies this tradition. As she remarked, if the American traditions of freedom and liberty were to survive, they had to 'triumph in Asia'.¹²⁶

This curious doublethink, which associates freedom in a neo-liberal sense with American purpose in the world, explains many statements that would otherwise seem puzzling. Take for example Stephen Blank's recent analysis of the context of US interests in the region. In a monograph entitled *US Interests in Central Asia*, Blank states that:

*"energy access, though important is not, and should not be, the primary driver of US policy here [in Central Asia]. Rather it is a means to an end... In this sense the driving force behind US policy is anti-monopoly, while the driving force behind Moscow and Beijing is quintessentially monopolistic in nature."*¹²⁷

The underlying ideas here are not dissimilar to those of Pyatt, recently the US deputy secretary for the region. It is the assertion that the primary objective of the United States government in the region is something other than over their securing of oil contracts for its firms. As the only state in the region with real oil reserves, this narrowness of vision is of direct concern to Kazakhstan. Furthermore, the statement here is about the requirement of the US national interest. The central concern is to secure the best policy for the US interest in the region, or perhaps to be more generous, the best climate of political economy in the region for US interests, rather than what is best for the Central Asian states. This speaks to a 'Great Game'

¹²⁵ Christopher Thorne, 'American Political Culture and the End of the Cold War', *Journal of American Studies*, Vol.26, No.3 (1992), pp.303-30.

¹²⁶ Akira Iriye, 'Culture and Power: International Relations as Intercultural Relations', *Diplomatic History*, Vol.3, No.2 (1979), pp.115-28.

¹²⁷ Stephen Blank, 'US interests in Central Asia and the Challenges to Them', *Strategic Studies Institute*, (2007), p. 3

understanding of regional analysis, and again represents a set of ideas originating in a state-backed Strategic Studies institute. If the state was interested in Kazakhstan beyond energy contracts then it would allocate resources appropriately, but it has not done so.

US Involvement and Lessons Learnt

Oil extraction in Kazakhstan is challenging. The extreme climate of the environment, coupled with the depth and pressure of the largest Kazakh oil projects, makes them notably complex and expensive to operate. International oil firms have needed to be involved with Kazakh oil projects from the beginning because of the advanced technology required. Accordingly, during the privatisation phase of Kazakh oil and gas, discussed in Chapter 2, US oil and gas firms joined the Kazakh energy market. The US firms Chevron and ExxonMobil entered the industry from the beginning, arriving in the Tengiz energy project in 1991, and later taking shares in Karachaganak and Kashagan. These three energy projects, Kashagan, Tengiz and Karachaganak, are all consortium-led operations with a mixture of Kazakh and International Oil Companies. It is the world's largest oil companies that run these projects; ENI, Total, Agip, ConocoPhillips, Shell, Statoil, Sinopec and CNOOC.¹²⁸

But how have these firms integrated themselves into Kazakhstan? What role beyond extraction do they play in the Kazakh community? Unlike the Russian and Chinese firms, these IOCs are answerable in their home states for their actions overseas. Each of these firms make profits from their global enterprises that are far beyond the GDP of many countries and employ an army of workers in some of the most hostile working conditions across the globe. The unique properties of the minerals they extract, and the prices that they command, can make even the riskiest of adventures profitable. The pursuit of profit has at times been at the expense

¹²⁸ Pinar İpek, 'The role of oil and gas in Kazakhstan's foreign policy: Looking east or west?' *Europe-Asia Studies* Vol.59, No.7 (2007), pp.1179-99.

of human life and with flagrant disregard for the environment at every stage of the process – exploration, production, refining, transportation and consumption.¹²⁹

At the extreme end of the spectrum, the wrongs of the oil industry are easy to articulate - large avoidable oil spills such as BP Deepwater Horizon or the entrenched bribery culture in the Nigerian oil sector are simple 'wrongs', but deciding upon best practise when confronted with individual country examples is not so immediately obvious. What form of assistance should the international oil companies give, and should it be uniform or unique? Should their objectives be loyal to their shareholders, the local beneficiaries, or the Kazakh state? Do they have a moral obligation to produce social initiatives, and what would qualify to meet those obligations? What is an appropriate measure of success and who is the arbiter of failure?

Corporate Social Responsibility (CSR) has been the industry solution to these questions and to the pressure they face to act 'cleanly'. It is impossible to over-exaggerate the effect that that changes to health and safety and CSR has had upon the industry within Western energy firms. Some claim it is now not possible to walk down the stairs in the corporate offices without holding the handrail; accidents are understood as preventable, even in the stairwell. CSR packages are now standard for every major oil company, and to ensure that these are within a strict framework they are integrated into global governance projects, and again into the frameworks of a vast network of international organisations, including the UN's Global Compact and Global Reporting Initiative.¹³⁰ These projects can range from staff taking a day off work to build a schoolyard, through to the funding of hospital projects. Each of the oil firms

¹²⁹ Samuel Lussac, *Géopolitique du Caucase: au carrefour énergétique de l'Europe de l'Ouest*, Paris, Editions Tecnip, 2010, pp. 3-12.

¹³⁰ Shell Representative, interview, Astana, 6th June, 2013.

on the major projects in Kazakhstan has a CSR programme that shapes their integration with the local community.¹³¹

Jedrzej Frynas, in his recent discussion of oil companies and their impact, suggests that it is common to view the rise of CSR as simply the pressure on international energy companies to 'do something' about the environment, community development or global warming. Instead, Frynas suggests that is more complex: we should understand the prevalence of CSR programmes as the pressure of multiple motivating factors; obtaining a competitive advantage; maintaining a stable working environment; managing external perceptions and keeping employees happy are all reasons why oil companies (specifically) might engage in CSR.¹³² Each of these pressures has culminated in the development of CSR and has led to its inclusion within many Western firms. What does this tell us about the perceptions of CSR from the perspective of the state and local population?

CSR is fundamentally a Western construction applied to developing countries. It is the space where distinct, culturally embedded ideas about the methods and practices of business must mesh with the local context. The need to appease shareholders also meets the development goals of the state. The burgeoning CSR literature would assume that it is in the best interests of the Kazakh government to have international oil companies paying for and being the face of development projects in the region – this is money the state does not have to spend and the companies existence is justified to the local community through 'good' projects. Indeed, in 2008, President Nazarbayev himself engaged with the UN Global Compact by asking for businesses to 'adopt principles of corporate social responsibility' and his Labour and Social Protection Minister, Berdibek Saparbayev, stressed the 'inconsistency of business in defining social indicators, like in [the] oil and gas complex where gaps persist in wages to foreign and

¹³¹ Shell Representative, interview, Astana, 6th June, 2013.

¹³² Jedrzej George Frynas. 'The False Developmental Promise of Corporate Social Responsibility: Evidence From Multinational Oil Companies', *International Affairs*, Vol.81, No.3 (2005), pp.581-98.

local staff'.¹³³ The National Economic Chamber of Kazakhstan 'Atameken Union' acts as the arbiter for state business relations within Kazakhstan and is charged with addressing issues of CSR. The Foreign Investors Council and the Kazakhstan Petroleum Association are local business organisations with direct access to the Office of the President, again with a mandate to implement CSR in conjunction with the American Chamber of Commerce, the Eurasia Foundation and USAID.¹³⁴

Altogether, this suggests a positive attitude to CSR, emanating from the highest levels of office in Kazakhstan, however interviews suggested otherwise. Senior oil company management working on government relations in Kazakhstan from two major US firms repeatedly asserted that the Kazakh government was hesitant about CSR projects, and 'did not want the IOCs to be seen as the 'face' of development in the region', especially in the oil producing regions which have experienced the smallest tangible benefits.¹³⁵ Small projects had been sanctioned, but a lengthy bureaucratic process had prevented many projects from being launched. CSR projects in Kazakhstan have taken different forms depending upon the energy company, but have ranged from industry specific environmental concerns such as commitments to reduce 'flaring'¹³⁶ to more socially focused projects that have included delivering services to education such as scholarships for orphanages, donating medical equipment, and funding health awareness campaigns. However, many attractive projects were either directly vetoed or sidelined through a process of 'bureaucratisation' that halted their development.¹³⁷ Answers

¹³³ International Labour Organisation (2008) *Business and Responsibility: Forum in Kazakhstan* 24 January <http://www.ilo.org/public/english/region/eurpro/moscow/news/2008/0124.htm> (accessed 16 September 2015)

¹³⁴ Royal Norwegian Embassy in Astana (2012) *White Paper: Corporate Social Responsibility (CSR) in Kazakhstan* <http://www.norvegia.kz/Global/SiteFolders/webast/White%20Paper%20on%20CSR%20April%202012.pdf>,

¹³⁵ Oil Company Interviews, Astana, 3rd March 2013.

¹³⁶ The burning of natural gas during the oil extraction process to reduce pressure. It is a serious pollutant of carbon dioxide and damages wildlife attracted to the naked flame. Russia practises the technique the most. international environmental agreements in place to reduce the practise rather than it being a purely industry led venture.

¹³⁷ Oil Company Interviews, Astana, 3 March, 2013.

as to why this apparent conflict of interest has emerged can be found in the colonial legacy of the region.

Kazakhstan's Soviet legacy has created rigid institutional structures, together with possessive qualities that are often exhibited by the state. The same individuals that were able to exercise control over the natural resource sector and expand their political power, were later able to continue to increase influence through nepotism and patronage within the industry. The Soviet legacy of a state system characterised by the planned economy with its emphasis on full employment and the states total provision of goods and services is in stark contrast to the later waves of privatisation in the energy industry. The result of this is that the Kazakh government's greatest battles are fought with itself, rather than expressing themselves in struggles with the under-developed social forces or non-state actors.¹³⁸ Before 1991, Kazakh natural resources were allocated amongst a small group of men, creating competition and powerful groups, but in the post-transition phase: those groups have retained their powerful influence *without* the same centralised bureaucratic central command system that was present within the Soviet-era. No longer managed by Moscow or by administrators they have been able to consolidate power and become stronger voices within the system. Therefore, in Kazakhstan, the powerful figures are a small group of individuals within the state, not outside it as is the case with other developing countries.¹³⁹

It is therefore fundamental to the entire system of governance that the status of local government elites is never called into question. There are no intermediaries between these elites and the state; negotiation is direct. The waves of privatisation that have occurred in the

¹³⁸ Pauline Jones Luong, 'Conclusion: Central Asia's Contribution to Theories of State' in Pauline Jones Luong (ed.), *The Transformation of Central Asia: States and Societies from Soviet Rule to Independence* (New York: Cornell University Press, 2002).

¹³⁹ Luong, 'Conclusion: Central Asia's Contribution to Theories of State', p.10.

oil rich regions occurred because it was advantageous at bringing wealth to the local elites and their 'constituencies'.¹⁴⁰ Local elites have the power to obstruct centrally commanded initiatives, either through a direct refusal, or more likely, through a process of 'bureaucratisation', where-upon directives are delayed or sidelined into non-existence.¹⁴¹

Reconnecting this understanding of intra-state struggle to the oil companies and CSR policy, provides an insight into the underlying motives of local government hesitation in the face of seemingly beneficial projects. Because of the Soviet legacy of the centrality of the state as the main provider, there is a strong expectation on the part of the population of the role of the state *versus* the firm. Elites need to justify their political record to their population and patronage group in order to gain re-election. Meanwhile CSR presents a subliminal threat since it is the practice of development projects by firms that would otherwise be performed by the state. The abiding consensus within current CSR literature contains the hidden assumption that it is in the best interest of the state to endorse CSR policy as it reduces financial strain and improves the standing of the international firm with the local population.

However, the Kazakhstan case may suggest that the CSR programmes of the state usurp the role of the local government elites here when they take on highly visible roles normally performed under command of the elites. The local government wants to be seen as the sole provider of economic and social stability. This is in direct contradiction to the CSR motives of the firm that are also 'political' in the widest sense. It is in the best interest of the oil company to be observed actively engaging with the community in order to show its own stakeholders its contribution to social progress in the region. Progressive projects such as helping develop schools or hospitals are easier to 'show-off' to employees looking to feel enfranchised when working for an oil company, or to the pressure group that is lobbying against oil firms, or to the local government of another prospective drilling well site. The sceptical perspective would be

¹⁴⁰ Wojciech Ostrowski, *Politics and Oil in Kazakhstan* (London: Routledge, 2010), pp.9-15.

¹⁴¹ *ibid.*

that it is easier to suggest that an oil firm is doing good work when the management can be photographed with a group of smiling schoolchildren who have benefitted from a CSR project.

CSR is a Western concept; there is no direct comparison within Kazakhstan. This divergence in the attitudes of CSR could also be the result of two distinct cultures coming together. A 2010 study suggests that the concept of CSR is not present within local Kazakh firms.¹⁴² As such, it is increasingly clear that some of these differences in the appearance of CSR should be locally defined; what works in Nigeria or Norway will not necessarily be the best practice in Kazakhstan.

Curiously, this type of competition between the state and the firm has more in common with the relationship between paramilitary groups and the state than it does with regular forms of state-market competition. To be clear the ultimate aim of paramilitaries and oil firms are not comparable – ultimately paramilitaries are concerned with killing whilst the oil company is looking to maximise profit. Nevertheless, for both parties, meeting the approval of their various stakeholders requires that their more short-term goals align. Paramilitary groups form when the state is weak or failing to perform its required functions, such as failing to protect the population or secure basic economic goals. Examples of this can be seen in the tactics of groups such as the Irish paramilitary groups during The Troubles¹⁴³, or in Colombia with Bolivarism and its broad agenda of political participation and agricultural development.¹⁴⁴ Here the organisation is competing with the state for the ‘hearts and minds’ of the population in order to gain support for their activities, and what is CSR if it is not a competition for hearts and minds?

¹⁴² Rajasekhara Potluri, Yespayeva Batima and Kunev Madiyar, ‘Corporate Social Responsibility: A Study of Kazakhstan Corporate Sector’, *Social Responsibility Journal*, Vol.6, No.1 (2010), pp.3.

¹⁴³ Steve Bruce, ‘The Problems Of ‘Pro-State’ Terrorism: Loyalist Paramilitaries In Northern Ireland’, *Terrorism and Political Violence*, Vol.4, No.1 (1992), pp.67-88.

¹⁴⁴ Zakia Shiraz, ‘The Colombian Conflict’, Ph.D., 2014, University of Warwick.

International oil companies have to justify their existence to the local population. They are ultimately in Kazakhstan to extract and remove commodities in the form of oil back to their registered country of origin, and often, as in the case of Kazakhstan, it is not the towns and villages that are closest to the extraction that see the majority the profits and their populations are seldom employed by the IOCs. Evidence of the strength of feeling amongst the local population over the distribution of wealth within Kazakhstan between the oil producing towns and the business owning elites is exemplified by the protests and riots that preceded the Zhanaozen massacre in 2011.¹⁴⁵ When the strength of feeling rises high, the legitimacy of the authoritarian leadership, in this case the presidency of Nazarbayev, is called into question forcing the state to act or appear impotent.

There are obviously limits to the extent of this comparison; the oil companies are not purposefully trying to challenge the position of the state. However, this does not mean there is not a conflict of interest. This is not just important within Kazakhstan but also as part of the politics of most global oil networks. Oil wealth does not secure the legitimacy of the leadership of weak states, and the CSR policy of firms has the potential to create a conflict of interest between the state and the firm, especially where states are uncomfortable with notions of plurality. CSR is central to the public relations of IOCs and its role in turning the attention of companies to the externalities of their industrial projects is vital, but understanding the potential site-specific conflicts better would allow firms to adapt their CSR programs in a nuanced to the local political environment.

¹⁴⁵ For analysis on the implications of the Zhanaozen Massacre and the implications for President Nazarbayev see Joanna Lillis Lillis, J., 'Kazakhstan: Violence in Zhanaozen Threatens Nazarbayev Legacy', *EurasiaNet*, 21 December, 2011, accessed 12 September 2015, <http://www.eurasianet.org/node/64745>, (accessed 16 September 2015).

The US involvement with the energy industry has been vital to the development of the energy industry and therefore to the development of the country, but how has this affected Kazakhstan's marginality? The cultural connection is a one-sided relationship, with a dominant US cultural influence. However, this is tempered by a lack of economic or military interest in the region of a scale able to compete with China's contribution. The extension of the US as a center of power into Central Asia is dwindling and despite its civilising missions there are local issues competing for attention. The difficulties surrounding CSR highlight the often competing and contradictory attitudes of both sides. In contrast to Russia, whilst the overtures of the leadership are seen as patronising, they are not threatening and have little effect on Kazakh autonomy.

European Firms, the EU and European states in Kazakhstan

If it is relatively straightforward to conceptualise the place of America in Kazakhstan, then the same cannot be said for either the EU or its member states. There is much for Kazakhstan to gain from the EU member states increasing ties with the region and supporting Kazakhstan to create new export routes, but there are many barriers to this being achieved including major differences in socio-political environments. Far from this relationship being a 'Great Game', when viewed through the prism of marginality the imposition of power by Western European states is less than would be imagined. Beyond the energy industry, EU states have very little to do with Central Asia whilst it is some European firms that are centrally important to the development of the country. This section examines the basis of the EU in Kazakhstan, asking how the EU's own energy strategy is driven by complicated domestic issues, and what the member states contribute to the Kazakh economy. As part of the civilising mission associated with Western interpretations of Kazakhstan linking back to the great game narratives, the chapter finishes by asking whether the archetypical European model of a 'petro-state' can really be applied to Kazakhstan, and why the literature persists in trying to 'make it fit'.

Understanding the role of the EU in the international energy markets is rendered more complicated by the contradiction between the individual states and the EU as a single actor. Article 194 of the Lisbon Treaty is clear that 'Member State's [have the] right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply'.¹⁴⁶ As a result, each individual state is free to pursue its own individual strategy, within the boundaries of EU regulation on maintaining competition, but with a view to promoting the integration of energy policy across all states. At times, this quest for oil and gas comes into conflict with the EUs policies on the promotion of human rights, since many of the countries that the EU engages with are violators of human rights. In the case of the recent conflict between Russia and Ukraine, we can see the difficulty of engaging EU soft power as the consumer when it confronts the hard-power strategies of the EUs largest supplier.

Amongst the EU member states, there is enormous variety of profiles in terms of what is required to attain energy security. Geography plays an important determining role amongst the EU states (as indeed it does for all states), who has direct access to resources as a producer or neighbouring state such as those with proximity to Norway, together with the infrastructure and expense that is required to overcome these challenges. Politically, the size of the domestic market alters purchasing power and therefore the ability to influence producer or transit states, but can also make the state in question more vulnerable - as we can see clearly in the case of Ukraine. Not all of these factors are controllable by the member states or by the EU as an institution, and are influenced by external factors relating to the external producer/consumer state. Whilst the mandate of the EU is to move towards integration, with

¹⁴⁶ Conference of the Representatives of the Governments of the Member States, *Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community*, 13 December 2007, 2007/C 306/01, <http://www.refworld.org/docid/476258d32.html>.

the intention of improving and deepening relations, instead the liberal integration of energy resources and policy may have been miss-sold as a source of peaceful existence.¹⁴⁷ In practice, Moscow has used the windfall profits from European integration and Russia has taken advantage of Europe's overreliance to mould itself as the opposition to liberal hegemony, creating conflict and exposing weaknesses in the structure of the EU. The result has been that the EU has had to prioritise a crash programme to diversify its energy sources.

Not only is location an issue, but also the ability of individual states to create cohesion over a single policy is hindered by the import requirements of each state. The EU as a whole relies upon imports for 53% of its total energy needs, but this varies wildly from state to state. The unique properties of each state create extremes as Denmark imports only 10%, whilst at the other extreme Malta imports 100%.¹⁴⁸ Russia is the single most important energy provider to the EU, providing 177 mtoe of oil, 107 mtoe of natural gas and 52.7 mtoe of coal with the largest recipients of Russian energy being Germany, Poland, Netherlands, Belgium and Italy.¹⁴⁹ Kazakhstan supplies a comparatively much smaller amount; a total of 29.2 mtoe of oil in 2011 and its key destinations (from a demand perspective) in Europe are France and Germany, with Romania, Italy, Austria, the Netherlands and Portugal as smaller partnerships.¹⁵⁰

¹⁴⁷ For the discussion on the role of energy interdependence in theory and as a global practise see Zha Daojiong, 'Energy Interdependence', *China Security* (2006), pp.2-16; Filippou Proedrou, 'The EU–Russia Energy Approach under the Prism of Interdependence', *European Security*, Vol.16, No.3-4 (2007); Erik Gartzke, Quan Li and Charles Boehmer, 'Investing in the Peace: Economic Interdependence and International Conflict', *International Organization*, Vol.55, No.2 (2001), pp.391-438 ; Daniel Yergin, 'Ensuring Energy Security', *Foreign Affairs*, Vol.85, No.2 (2006), pp.69-82.

¹⁴⁸ Jakub M. Godzimirski, 'Mapping EU countries' relationships with energy suppliers', *Global Re-Ordering: Evolution Through European Networks* (March 2014) Project Gree:n EU Policy Briefing, p.3.

¹⁴⁹ Godzimirski, 'Mapping EU countries' relationships with energy suppliers', p.3.

¹⁵⁰ Godzimirski, 'Mapping EU countries' relationships with energy suppliers', p.4.

These considerations – of geography, multiplicity of policy, and indeed political expectation – all affect the Kazakh-EU relationship. The fruitful interactions are between the government of Kazakhstan and the international energy firms or the individual member state. The EU does not function coherently enough as a unit to be able to act as body in the energy industry of Kazakhstan, either as a consumer or producer. On a diplomatic level, the EUs Consular Delegation to Kazakhstan manages the relationship. Its role is to provide an ‘information exchange’, a platform to introduce and support a dialogue on human rights and obviously to provide services to the citizens of the European Union. In Kazakhstan at this time, its role was to understand the business climate, and in particular, the energy climate, which would concern the future development of EU firms in Kazakhstan.

Despite the EU’s decision to accelerate the diversification of fuel sources, Kazakhstan has yet to become a priority. This is due to pipeline politics, rather than any specific issues relating to human rights in Central Asia. In 2008, oil routes from Kazakhstan to Europe were disrupted during the Russian invasion of Georgia coinciding with a surge in Kazakh production. The lack of an alternative route to Europe hindered Kazakh ability to get oil to market, and it was not until 2010 that Kazakhstan felt secure enough to begin investment in a tanker route across the Caspian to connect with the Caucasus. Again, the problem for Kazakhstan here is Russian control through the pipelines, and once Kashagan began producing at full capacity, this would have exacerbated the problem further unless other alternatives had been found. The EU member states are central to Kazakhstan’s energy market; Italy is the end market user of 26% of all Kazakh energy supplies, the Netherlands 12%, Austria 9% and France 9%.¹⁵¹

¹⁵¹ Energy Information Agency, ‘Kazakhstan’s Liquid Fuel Exports by Destination’, US Energy Industry Agency, 2012, accessed 12 September 2015, <http://www.eia.gov/beta/international/analysis.cfm?iso=KAZ>.

Sanctions toward Iran had strangled the Kazakh export market, but with thawing relations, this could further reduce Russian influence on the pipelines. Currently, much of Kazakh oil is transported across the Caspian via trains and tankers, as well as the Baku-Tbilisi-Ceyhan pipeline or the Northern Route pipeline (Baku-Novorossiysk), pipelines that run across Russian territory. The option of entering into energy swaps with Iran had virtually halted over the last decade because of the Western-led sanctions. Now, with the new geopolitical climate, these swaps can resume, providing another outlet for Kazakh oil, and the joint building of a refinery.¹⁵² However, the flood of new oil to market may yet be problematic to the Kazakhstan energy sector, driving the world price of oil down.



¹⁵² TengriNews, 'Next oil refinery in Kazakhstan to be built together with Iran', *TengriNews*, available from, http://en.tengrinews.kz/industry_infrastructure/Next-oil-refinery-in-Kazakhstan-to-be-built-together-with-261261/,

Figure 5. Energy Information Agency, 'Oil Export Routes Map', 14 January 2015, http://www.eia.gov/beta/international/analysis_includes/countries_long/Kazakhstan/kazakhstan.pdf

In summary, EU member states are integral to the success of Kazakhstan, even if the EU as an institution is relatively unimportant. European and American firms have transformed the Kazakh energy industry, and through their CSR programs have an impact upon the local community, even if it is at the expense of the government's role in that community. Through the local purchasing and local content legislation a certain amount of Kazakh goods, services and personnel have to be employed by the European firms. The European firms are held to international standards and so, in turn, demand higher standards of the Kazakh industry, thereby raising local standards, creating a stronger Kazakh industry. What if that relationship was pushed further? To what extent should Kazakhstan be seeking to emulate the European energy industry? And what impact would this have upon the domestic industry?

Should the Kazakh Industry Be a Bit More European?

The ultimate model of a successful petro-state in control of its geopolitics and economic development is Norway. Inward flows of FDI have made up between 2-5% of GDP over the last five years and the majority of this investment has been into the oil and gas sector from British, French, American and Italian supergiant companies.¹⁵³ Furthermore, the foreign companies have made significant contributions to the future of the oil and gas industry, developing local content and using supporting local business for example. This success has been achieved despite a number of factors that should theoretically make it unattractive to FDI. Consider the high tax environment in which firms still pay a special tax on petroleum exploration (unless no oil is sourced). Furthermore, wages are uncompetitively high and the

¹⁵³ The Economist Intelligence Unit, 'Country Forecast Norway September 2011', 19 September 2011, accessed 12 September 2015, <http://store.eiu.com/article.aspx?productid=1930000193&articleid=468448631>

general cost of living and operating is significantly higher than in another oil country in the world.

In theory, this success story should at the very least provide a benchmark or useful points of comparison to help us evaluate Kazakh oil governance. However, a direct comparison will not work here, nor is it entirely the point. Kazakhstan faces intense geopolitical interest from large powerful neighbours in a way that Norway simply does not. As a founder member of NATO, Norway has a relationship with rich powerful European states that negates the need for a large powerful military and as such, it occupies a very different, privileged sphere of international relations. That said, analysis of these features does throw into relief some of the practises widely heralded in the academic literature and indeed what is viewed as best-practice by the industry. Understanding why the Norwegian Model will not work in Kazakhstan helps to tease out the unique features of the Kazakh oil economy, and to understand why other states have chosen different paths to oil governance rather than converging around a single model. The purpose is not to try to understand how to attract FDI, if there is a large amount of oil there will be willing investors, but to understand how to balance attracting investment and expertise with the state maintaining control over its industry.

Kazakhstan has already looked to Norway for ideas on developing its economy, but only certain aspects of this have been ripe for implementation. One idea, which Kazakhstan, and many other developing petro states, has adopted, is the creation of a sovereign wealth fund. There are two Kazakh funds; Samruk-Kazyna is modelled on the Norwegian equivalent fund, estimated to reach approximately \$100 billion by 2015, and similarly the Kazakh National Fund is valued at \$77 billion.¹⁵⁴ To put this number into perspective, Samruk-Kazyna currently owns

¹⁵⁴ For more information on the capabilities of the fund see Yelena Kalyuzhnova, 'The National Fund of the Republic of Kazakhstan (NFRK), pp.From accumulation to stress-test to global future', *Energy Policy*, Vol. 39, No.10 (2011), pp.6650–57.

60% of Hong Kong's national debt and is the sixteenth largest fund in the world, bigger than Alaska's.¹⁵⁵ The result has been successful, although, both funds have a very poor transparency rating, 2/10 on the Linaburg-Maduell Transparency Index, and are widely understood to be the fruit bowl of the president. Not only does this neatly highlight one of the key problems of comparison between many developing states with the Norwegian model, it also emphasises the difficulties in researching the practises of an opaque and corrupt industry.

Central Asian expert Martha Brill Olcott explicitly proposes attempting to draw Kazakhstan towards the Norwegian model. She suggests that implementing regulatory reform, including removing the regulatory and competitive factors from state control, as seen in Norway, should be a priority for 'the Kazakhs'.

Much like Kazakhstan, Norway has a limited number of operating companies that are the potential subjects of regulation. And like Norway, Kazakhstan stands to benefit from reducing its reliance on prescriptive governmental regulations, creating a shared culture of industrial safety, and shifting the primary responsibility for regulation onto industry itself. By establishing clear, long-term safety goals it can free up companies' abilities to innovate while increasing the effectiveness and efficiency of the country's safety measures'¹⁵⁶... 'Simply put, the Kazakhs need to delve deeper into their regulatory reforms to make their system more like the Norwegian one. This would make the country more attractive to foreign investors, simplifying the

For a comparison between Kazakh, Norwegian and other sovereign wealth funds see David Kemme, *Sovereign Wealth Fund Issues and The National Fund(s) of Kazakhstan*, William Davidson Institute Working Paper Number 1036, The William Davidson Institute at the University of Michigan, August, 2012.

¹⁵⁵ Rob Wile, Wile, R., 'The 20 Sovereign Wealth Funds That Are Buying Up The World', Business Insider, 3 October 2012, accessed 12 September 2015, <http://www.businessinsider.com/sovereign-wealth-funds-buying-up-the-world-2012-10?op=1#ixzz3CGF63dUu>

¹⁵⁶ Martha Brill Olcott and Eli Keene, *Regulatory Reform In Kazakhstan: A Spur to Economic Development*, (Washington DC; Carnegie Endowment for International Peace, 2014), p.15.

*task of introducing new technology, and generally reducing the cost of doing business in the country.*¹⁵⁷

Parts of the report may be based upon health and safety within the industry, but the remedy presented here is very much industry wide and the message clear – Kazakhstan’s oil industry must become more like Norway’s regulatory regime. However, is this desirable or even necessary? Should Kazakhstan be trying to align its industry more clearly with the Norwegian model? Is it even possible?

The key attributes of the Norwegian model that are not readily applicable to other states are those that depend upon a strong political consensus. Together, this system has created one of the industry’s great success stories. The accomplishments are based upon a strong system of governance, which in turn has been used to develop policy in accordance with the ‘benefit for all people’ principle.¹⁵⁸ In the early stages of development, there were small amounts of legislation, gradually created over a decade (1985-1996), to support the industry.¹⁵⁹ ‘National steering’, the term used to coin the close relationship between industry and authorities, coupled with the slow development helped to avoid economic shocks during the early years of discovery. All participation in the industry was initially Norwegian (firms and state), only later were projects allowed to incorporate up to fifty percent foreign investment.

From the very beginning, during the 1970s, Norway was able to stipulate the percentage of local content to foreign contractors. In addition, from the outset there was a focus upon

¹⁵⁷ Olcott and Keene, *Regulatory Reform*, p.16.

¹⁵⁸ Farouk Al-Kasim, *Managing Petroleum Resources: The Norwegian Model in Broad Perspective* (Oxford: Alden Press, 2006), p.241.

¹⁵⁹ *ibid.*, p. 241.

conservation of reserves and the maximisation of oil recovery from reserves. This same central planning has allowed the Norwegian state to utilise the infrastructure created to develop large discoveries was used to support smaller satellite fields that would otherwise have been unable to operate. The most distinct attribute of the Norwegian Model is the government's administrative separation of the administrative, regulatory and commercial interests.¹⁶⁰ In this model, the NOC Statoil, that prospects and produces oil at home and abroad, is separated from the Ministry of Petroleum and Energy which sets regulation, and from the Norwegian Petroleum Directorate which is the regulator and advisory body. The first of the oil economies to do this, Norway benefited from having entirely separated government commercial functions from policy/regulation functions, so that all appointments and contracts were awarded based upon merit.

Somewhat optimistically, it was once considered that these ideas and this formula could be easily transferable to developing countries, similar to a Washington Consensus for the energy industry. The formula was to add a Norwegian element, particularly the idea of separated government departments, 'and stir'. According to Thurber et al, this orthodoxy within the industry reached a peak in the late 2000s, with the creation of the National Resource Charter as a guide to help and encourage the responsible state building of extractive industries.¹⁶¹ However, as Thurber noted in 2011, the orthodoxy of total separation was beginning to be questioned as more literature evolved suggesting that there may be certain conditions that made the separation of all government entities possible when certain conditions were met. By 2014, the charter is far more ambiguous instead suggesting that 'each of these objectives

¹⁶⁰ National Resource Charter, 'Precept Six', Natural Resource Charter, 2014, accessed 12 September 2015, available from <http://naturalresourcecharter.org/precepts>

¹⁶¹ Mark Thurber, Patrick Hults & Patrick Heller, 'Exporting the "Norwegian Model": The Effect of Administration Design on Oil Sector Performance', *Energy Policy*, Vol.39, No.9 (2011), pp.5366.

[government functions] can be appropriate in different country contexts—but not necessarily at the same time—and may involve trade-offs’.

In the previous chapter we used Thurber et al to analyse the characteristics of the Kazakh energy industry and draw conclusions about its effectiveness, and there are lessons that can be applied here. There are conditions that make the application of the separated functions to an energy industry more likely to succeed.¹⁶² Higher levels of institutional capacity and political competition increased the likelihood that the state functions (Norwegian Model) could be successfully implemented, whilst conversely low levels of institutional capacity and political competition. Countries that tried to implement the policy with low capacity and low competition, such as Angola, have been unsuccessful. Only Norway has the high institutional capacity and political competition to have successfully implemented the strategy. The other states examined in the study presented a mixture of high and low characteristics. Nigeria, with its low capacity but high political competition is in danger of the industry being used to political ends by the different political entities and does not benefit well from the creation of separate entities. Furthermore, there were oil economies that were successful that have never tried to implement such a policy, such as Saudi Arabia, Malaysia and Angola. So where would Kazakhstan appear in all of these categories?

Separation Success in Kazakhstan?

If we replicate all of the conditions of Thurber’s study for Kazakhstan, we can begin to build recommendations based upon the current approaches used within the academic literature. This requires assessing the effectiveness of the institution, the degree of competition, and the performance of the oil sector.¹⁶³ Using the World Bank Government Effectiveness Index we

¹⁶² Algeria, Angola, Brazil, Malaysia, Mexico, Nigeria, Norway, Russia, Saudi Arabia and Venezuela

¹⁶³ Thurber et al., ‘Exporting the “Norwegian Model”’, pp.4-6.

can assess the institutional quality of Kazakhstan as being in the 39th percentile, and given a rank of -0.44 (on a scale between -2.5 to +2.5).¹⁶⁴ To compare this score with other oil producers, this puts the effectiveness of Kazakhstan's government on approximately the same level effectiveness as Russia or Venezuela; lower than Saudi Arabia but higher than Nigeria or Angola. To measure political competition, Thurber suggests the length of time between factions of party changes occurring in government. Therefore, Kazakhstan, with its single party politics and authoritarian ruler since independence in 1991, has a very low ranking.

Judging the performance of the oil sector is more a subjective process and therefore open to critique. Thurber suggests that judgement of the sector should include 'the ability of the government to find, develop, and produce oil and gas in a timely manner; to minimise disruptions to hydrocarbon operations; to maximise government take without deterring investment; to exert influence over its hydrocarbon sector to ensure that revenue is produced in accordance with government objectives'.¹⁶⁵ Whilst the study in the literature cited here is based upon the work of the Stanford project, here we can use richer qualitative data to assess the performance of the Kazakh energy sector. Ultimately, Thurber uses a score of Poor-Fair-Good to describe the sector, which is useful as a method of categorisation, but as this is an assessment of Kazakhstan, there is room to be more expansive on the assessment.¹⁶⁶ The section therefore assesses the ability of the government to –

¹⁶⁴ The World Bank Government Effectiveness Index comprises six measurements - i) Voice and Accountability, ii) Political Stability and Absence of Violence, iii) Government Effectiveness, iv) Regulatory Quality, v) Rule of Law, and vi) Control of Corruption. Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores. The line graphs include margins of error shown as dashed lines, corresponding to 90% confidence intervals. The data used is between 1996 and 2012 and comprised of data from the following institutions; Business Enterprise Environment Survey, Bertelsmann Transformation Index, Economist Intelligence Unit, World Economic Forum, Global Competitiveness Survey, Gallup World Poll, Rural Sector Performance Assessments, Institutional Profiles Database, World Bank Country Policy and Institutional Assessments, Political Risk Services International Country Risk Guide, Institute for Management & Development World Competitiveness Yearbook, Global Insight Business Conditions and Risk Indicators.

¹⁶⁵ Thurber et al., 'Exporting the "Norwegian Model"', p. 6.

¹⁶⁶ *ibid.*, pp. 6-7.

Find, develop, and produce oil and gas in a timely manner: This is a difficult aspect of sector management to answer in the context of Kazakhstan. The NOC, and therefore the government, owns a major stake in each of the big three fields along with a host of IOCs, and indeed wholly operates some smaller projects. These are successfully run and all have taken oil to market. However, the big projects, the projects that matter economically and politically, could not be operated by the NOC in their entirety because of technical and financial constraints. However, this is not necessarily the weakness of the state company as no single oil company would normally be willing to take on the scale of investment that is required to extract. That said, the Kazakh government would never have been able to finance nor actualise the extraction process in the early days of independence. This mix of circumstance and competence would suggest a 'poor' ability to develop oil production in a timely manner.

To minimise disruptions to hydrocarbon operations: Kashagan is called 'the world's expensive plumbing project'.¹⁶⁷ Quite how much Kashagan has cost because of these changes depends upon the news source, but it is widely expected to have cost in the region of \$50bn. That is \$30 billion over budget and as at 2014, some 8 years behind schedule, having a serious effect on the balance sheets of many of the European investors. Aspects of these problems are political, such as the delays over the sale of ConocoPhillips share of the project, insistence on local employees or the delays over environmental standards challenges. However, at the same time there have been lengthy delays caused by the partnership of IOCs that have resulted in compensation, of \$30 million per quarter, to the Kazakh government because of gas leaks delaying production.¹⁶⁸ Tengiz, the second major Kazakhstan programme, was

¹⁶⁷ Selina Williams, Géraldine Amiel and Justin Scheck, *Developed by Western Oil Companies, Giant Project Off Kazakhstan Is Years Late, More Than \$30 Billion Over Budget*, *Wall Street Journal*, March 31, 2014.

¹⁶⁸ Daniyar Mukhtarov, *Amount Of Compensation From Kashagan's Contractors To Kazakhstan Announced* Trend.KZ (2014) available from <http://en.trend.az/business/energy/2298382.html>

developed on time and on budget, although it is a much less complicated project. So the question then becomes perhaps, is the NOC/IOCs incompetent or is the government wilfully neglectful for political ends? The answer is “yes” to both, to a lesser degree, and therefore the overall ability should be considered fair-poor on Thurber’s scale.

To maximise government take without deterring investment: Thus far, the sheer scale of the reserves has proven to be an important and sustained incentive to the oil companies. As a result, despite these delays, when the state released the recent tender for ConocoPhillips’ stake in Kashagan, Indian and Chinese state firms were eagerly competing for a place in the project. Its strategic location and stable political culture makes it an ideal choice for investment. The government has also successfully renegotiated the position of the KazMunaiGaz into projects, most notably in 2008 securing an equalising stake in Kashagan, and across all major projects in Kazakhstan. The legal environment has been gradually changing to encourage more Kazakh firms and individuals within the industry. For example, a 2010 change to the Law on Subsoil Use established a legal obligation that where available all goods/services be procured locally.¹⁶⁹ Similarly, Kazakh companies were allowed a 20% price reduction in the bid price for all local tenders. The ability to improve the relative position of Kazakh business within the industry has been a key feature of the success of the Kazakh government. On Thurber’s scale this would be equivalent to a ‘good’ rating.

To exert influence over its hydrocarbon sector to ensure that revenue is produced in accordance with government objectives: The steep and authoritarian hierarchy that is the Kazakh government places Nazarbayev at the head of the government. We can see the extent of his control over the leading industry figures, all of whom he has placed in those positions,

¹⁶⁹ Law of RK, 24 June 2010, on Subsoil and Subsoil Use No. 291-IV (with last amendments additions made, 20 February 2012).

during fallout from the fatal Zhanaozen riots. Following the heavy-handed local police response to the strikes, President Nazarbayev requested the resignation of the CEO Askar Balzhanov. He also fired Timur Kulibayev from his role as head of the sovereign wealth fund that representing a direct show of power, as Kulibayev is his son-in-law, a director of Gazprom and worth \$1.3billion according to Forbes. Similarly, the President fired the head of KazMunaiGaz National Ltd, Bolat Akchulakov. Therefore, government/leadership influence is extremely high or 'good' as Thurber's scale indicates.

On Thurber's scale, the oil sector performance of Kazakhstan rates as 'fair'. The high level of government control, the ability to increase the government revenue without deterring investment, tempered by poor timeliness and delays mean that we can evaluate the outcome to be no more than 'fair' over all. Compared to the other countries in Thurber's study, Kazakhstan ranks in a midway point above the declining oil industries of Venezuela and the power consolidation of Russia, but below the smooth functioning of Angola and the technological capabilities of the Brazilian NOC. So when combined with the mid-level score for government effectiveness and low political competition, this fair rating can begin to be used to understand the implications for Kazakhstan implementing the Norwegian Model of separation. According to Thurber's paper, the combination for successful implementation, based upon country analysis, is the level of institutional development at the time of implementation.¹⁷⁰ Once these conditions were met, Brazil and Norway successfully implemented the scheme. Nigeria, which has not established a strong institutional capacity, failed in its implementation of separate government functions, whilst Angola has chosen to consolidate power initially, and Brazil took a long time in developing separation. Furthermore, Thurber et al note that successful separation rarely occurs when there is low government competition.¹⁷¹ Attempting to implement the separation without meeting these conditions has

¹⁷⁰ Thurber et al., 'Exporting the "Norwegian Model"', p.10.

¹⁷¹ *ibid.*, p.9.

had the opposite effect in the case of Nigeria, which tried to push through reform too quickly, which increased corruption and created a proliferation of institutions.

Therefore, Kazakhstan, should not implement the Norwegian model of function separation because of its low political competition and medium institutional capacity. The National Resource Charter may have made 'functional separation' a priority for development, but this does mean that it is suitable for all developing countries. Using Thurber's model, we can see that Kazakhstan does not fit the conditions for the successful implementation. The government consolidates power under President Nazarbayev. Moreover, since independence, little competition has been allowed, meaning that long-term planning and implementation has been followed, creating continuity of policy and accountability.

Creating institutions that are internally competitive, jostling for power and position without the correct system of checks and balances would bring instability to the industry rather than empower it. Currently, many of the top industry positions are still occupied by family members of the president, some of whom are more or less capable than others, and until this has changed to a merit based appointment system KazMunaiGaz will not be able to develop coherently. Kazakhstan has a complex bureaucracy, large and unwieldy, riddled with corruption yet functioning. The combination of this mechanism coupled with the low political competition makes it difficult for any separation attempts to have a lasting or serious impact upon the government. There is nothing to suggest that separating the regulatory body further from the state would not necessarily exacerbate current problems.

Martha Brill Olcott suggests that Kazakhstan should embrace Norwegian styled regulatory reform, but the empirical evidence from Kazakhstan (viewed through the prism of Thurber's

thoughtful contribution on the conditions in which regulatory reform succeeds coupled) would suggest otherwise. It also neatly evidences the need to see the oil industry holistically within the context of the wider economy. Does the regulatory framework fit with the wider goals of the economy, is there is desire to change? Norway's industry legislation has been designed with the idea that all of these functions will have to be accompanied by central planning focused upon preparing the economy to be 'post-petroleum'. The public discourse has focused upon the need to redistribute the wealth and these words accompany the realpolitik of institutional change. Urbanisation has been offset by policy to improve employment opportunities in rural areas; a distinct focus upon the efficiency of domestic industry to offset higher wages that come from resource dependency; taxation used to achieve and incentivise corporate social outcomes rather than merely as a source of revenue.

Conclusion

Looking at the relationship between Kazakhstan and the West, we can see that marginality is not an appropriate label for this relationship; Western interest in the region is instrumental and mutually beneficial but there is no desire or suggestion to control Kazakhstan as with the Russian military threat or through Chinese purchasing power. The 'Great Game' and the War in Afghanistan have cast a role for America in the region that is simply not relevant to Kazakhstan's experience. The foray into Central Asia that is the New Silk Road is not as competitive as the programme developed by China, nor does it come with the necessary financial backing to achieve its goals, only unsupported rhetoric. America's regional influence is increasingly as a facilitator rather than as an actual 'player' in any particular game. The state's role is minimal, and is there principally as a trade envoy to smooth the passage of its large international oil companies in the region. This is a legitimate reason to invest in the country, but it rings hollow when ones takes into account the knowledge of endemic corruption

within the industry. In turn, the Kazakh government picks and chooses who it will publicly name and shame as having bribed officials, using this as a form of leverage to control the industry.

CSR illuminates the fears of the Kazakh state and the green-washing of the energy firms. Incongruously, a stereotypical 'strong-man' leads the Kazakh state, yet the leadership cannot tolerate being seen as secondary in providing local community projects because of its delicacy. To be clear, the oil producing regions around Atyrau and Aktau are shamefully under-developed. There are no proper roads, hospitals or infrastructure, with many households not yet having access to proper sanitation. These regions give the most in terms of land and resources, but because of the formation of the energy pipelines and political redistribution, they receive the lowest recompense. This is in direct contrast to the Almaty and Astana regions that are the seats of power. Therefore, distribution is a sensitive issue in Kazakh politics, and any discussion of local conditions begs awkward questions about the structure of the state and the role of the leadership.

Kazakhstan should be of significant interest to the European market as an alternative source of oil. The lifting of sanctions with Iran will have an enormous affect not only upon the regional - but also potentially upon the global oil market. It could also offer an alternative way to take Kazakh oil to market. The startlingly different energy requirements of the EU member states make cooperation with the institution redundant and instead award priority to unilateral relationships. The Norwegian model of energy governance is touted as the 'fix-all' for the region and yet, as this chapter has shown, there are significant flaws in attempting to 'copy and paste' the model onto the Kazakh system as part of a crude policy-learning exercise. There is simply not the political infrastructure present to permit a meaningful reproduction of the Norwegian matrix. As a result, Western influence on the region has been aspirational and

a technical necessity, but is not as deep nor as indentured as the mostly American-authored 'Great Game' literature would like to assume.

Conclusion

“We must strive to encourage East and West not only to move towards each other but also to encourage them to find a new philosophy ...”¹

President Nursultan Nazarbayev

Kazakhstan could yet rot from within. The vanity of President Nazarbayev as the self-appointed ‘Leader of the Nation’ highlights his inability or unwillingness to implement a more stable regime structure. As the previous chapter shows, marginal power is better generated through wealth creation rather than political aggrandisement or pandering to the competing interest groups who are ready to defend their own fortune over the national interest. Nazarbayev has maintained stability between the different ethnic groups and has maintained relationships with China and Russia, but what about once he leaves? Will there be a “Tito effect” in Kazakhstan? There is no opposition leadership to provide stability in the change-over at a time when Russian Eurasianism is rising; the President has successfully eradicated any trace of an alternative. At a time of regional instability there is no one else who could meaningfully move into the presidency to manage Kazakh-Russia relations. Having made himself so central to the functioning of the government, Nazarbayev has weakened the country he has sought to build. Russia doesn’t need to invade Kazakhstan; it can simply ingratiate itself into the inexperienced leadership of a post-Nazarbayev era.²

In 2015, President Nazarbayev won the general election with a remarkable 97.7 % of the vote. At 75 years old, the man with his hand on the tiller of a country with twice the oil reserves of Brazil, is marching closer to death with no successor in plain sight. He has achieved such a remarkable election victory not only because the election had been rigged (his main competitor

¹ Nursultan Nazarbayev, Speech to the 8th Assembly of the People of Kazakhstan, 24 October, 2001.

² Dusko Doder, ‘Yugoslavia: New War, Old Hatreds,’ *Foreign Policy* (1993), pp.3-5.

was a former-mechanic)³, but because there is no opposition, rule of law and or civil society to protest the results. Yet unlike his peers, Gurbanguly Berdimuhamedow of Turkmenistan or Islam Karimov of Uzbekistan, the President has consistently taken successful steps to generate economic improvement and he displays a genuine desire to craft an improved future for Kazakhstan. This adds up to a problematic assessment. How does one celebrate the achievements of this exciting and vibrant country without in the process condoning many of the methods that have plagued its development? The President has committed himself to building the state, but at the same time has plundered the livelihoods of its people by secretly channelling billions to hidden bank accounts in Switzerland, whilst also being complicit in many human rights abuses.⁴

Ultimately this thesis has sought not only to demonstrate that Kazakhstan has ceased to be a mere pawn on a chessboard, but also to demonstrate how this has been achieved. It is an active state in international relations, it has autonomous capacity and uses tactics to generate positive marginality. This thesis has a number of claims by way of its contribution to knowledge. This the first time that Kazakhstan has been considered through the prism of marginality, and it is the first time that the marginality literature has been applied to an oil case study. It also appears to be the first study on Kazakhstan, whose purpose has been to re-align the relationship with Russia and China through a systematic review of energy security and strategic culture of the state. Its claim to originality therefore lies in deploying an area studies approach in order to examine real world international relations questions that are generated from the locality itself.⁵ In this sense it answers the call of earlier geographers who encouraged the building of knowledge from a single location. This is not the story of Kazakhstan as told by

³ Jack Farchy, 'The succession question of Kazakhstan and Uzbekistan grows more urgent', 13 May 2015 available from <http://www.ft.com/cms/s/0/1938344c-ed87-11e4-987e-00144feab7de.html#axzz3k1TVnL7T>

⁴ R. Stodghill, 'Oil, Cash, and Corruption.' *The New York Times*, 5 November 2006. See also G. Hayman and Tom Mayne, 'Energy-related Corruption and its Effects on Stability in Central Asia,' *China & Eurasia Forum Quarterly*, Vol.8. No.2 (2010), pp.137-41.

⁵ The issue has long been pondered see for example: M. Brecher, 'International Relations and Asian Studies,' *World Politics*, Vol.15, No.2 (1963), pp.213-35.

Russia and China, instead it is rooted in Kazakhstan's own history, environment and future trajectory. The results, field of study and parameters of this thesis have been decided *ex post*, rather than squeezing the Kazakh experience into a formula derived from the international system.

The marginality literature has helped us to understand the behaviour of the state as a series of exercises in power and control, and the particular sets of strategies and tactics that this has sought to leverage. To return to the ideas that were explored in the introductory sections, and which have framed the analysis throughout this thesis, Noel Parker describes precisely what it means for a state to exhibit positive marginality:

*'We can identify a marginal entity or actor as one which can be plausibly perceived to occupy a position on the edge of a prima facie bigger, or more coherent, and/or more influential other' s (center's) space and/or concentration of resources. Resources can refer to a range of capacities ostensibly concentrated in the centre: power in its many forms; financial or material goods, ideological/ religious/ cultural impact, structural coherence, identity in the sense of a capacity to be an actor with sovereign identity, hold over discursive forms.'*⁶

Kazakhstan occupies such a position on the edge of two such centers: Russia and China. These resources that Noel Parker describes are notably present in Kazakhstan's historical relationship with Russia, and the ideological/ religious and cultural presence runs deep in the historical relationship between the two states. By contrast, China enjoys increasing power through its financial and material presence. What is implicit within this arrangement is that

⁶ Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins', in Noel Parker (ed.), *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins* (New York: Palgrave MacMillan, 2008). p.12.

both parties are defined by their relationship. Kazakhstan marks the end of China's territory, and whether Russia is willing to acknowledge it or not, it increasingly marks the end of Russian territory too. The centre is, as Parker notes, 'hostage' to the margin.⁷ We normally expect to hear about the center's role in influencing this relationship, but this thesis through its emphasis on marginality has shown the ability of the margin to impact upon the centre to a significant degree.

As we have seen, Kazakhstan has achieved this in numerous ways that correlate convincingly with Parker's theory on *tactics*⁸ and *identity*.⁹ We can see from Chapters 4 and 5 on China and Russia, that Kazakhstan has tactically *played the two centers* off against the other. By signing up to regional contracts with Russia that have altered little, but which have nevertheless been symbolically important, such as the Eurasian Economic Community, Kazakhstan has remained within the periphery of Russia without sacrificing autonomy. Furthermore at the same time, these agreements have 'concealed' the lengths that the Kazakh state has gone to patiently divest itself of Russian influence through changes to the pipeline networks and the improvements to the domestic refinery systems. Furthermore, as the thesis has shown, Kazakhstan has gone to significant lengths to approach alternative sources of finance from the beginning of its independence.¹⁰

⁷ *ibid.*

⁸ These might be enumerated as (1) Obtaining loyalty rewards; (2) Obtaining intermediation rewards; (3) Competing for rewards; (4) Playing one centre off against another; (5) Manifest emulation; Rent-seeking; (6) Guaranteeing order. Taken from Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins', in Noel Parker (ed.), *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins* (New York: Palgrave MacMillan, 2008). p.13.

⁹ (1) Being in a marginal position; (2) Seeing oneself in a marginal position; (3) Being conscious of potentialities that are implicit in being marginal; (4) Using those potentialities to advantage; (5) On the basis of one's marginality seeing a potential to redefine received patterns and; (6) including other's identities in such a redefinition. Taken from Noel Parker, 'A Theoretical Introduction: Space, Centers, and Margins', in Noel Parker (ed.), *The Geopolitics of Europe's Identity: Centers, Boundaries and Margins* (New York: Palgrave MacMillan, 2008), p.15.

¹⁰ The extent to which this has been a long-term project is underlined by J.P. Dorian, Ian Sheffield Rosi, and S. Tony Indriyanto, 'Central Asia's oil and gas pipeline network: current and future flows,' *Post-Soviet Geography*, Vol.35, No.7 (1994), pp.412-430.

Kazakhstan is increasingly attracting interest from China, and with its generous remuneration packages the Dragon is able to 'outbid' Russia for contracts in Kazakhstan and across Central Asia. In this sense, Kazakhstan is exhibiting *rent seeking behaviours* in its interactions with China, by being paid to move into its sphere of influence. There is a finite supply of oil available for sale from Kazakhstan, and China is securing this for itself in the future, seeing off rivals for resources. We can see that this is a strategy, and that it comes from a position of power and strength because China has approached Kazakhstan for oil contracts previously and been rejected, as shown in Chapter 5 on China. China has been unable to secure its contracts with Kazakhstan until such time as it proved advantageous to the Central Asian state.¹¹

Kazakhstan has developed a tactical *manifest emulation* of all the states it encounters. It is at once resolutely developing its own path towards identity, but at the same time it strategically mimics the attributes of those with which it comes into contact. Not unlike the bird of paradise during mating season, Kazakhstan has developed a strategy designed to appeal to all possible onlookers through the elaborate 'dance' that constitutes the 'Crossroads of Civilisations' and the 'Heart of Eurasia' strategies. To Russia and China, Kazakhstan remains a secure neighbour intent on retaining 'traditions' of non-democratic leadership, reassuring them that they do not have an interloper in their midst. To the West, the leader hires Tony Blair to make the country more liberal-media friendly, more palatable. Indeed it would be easy to visit the region and see the modern cars and material goods and assume that there was a collective urge to emulate the West, but it is an impersonation rather than a genuine adoption of values from any center. Furthermore the chapter on Kazakhstan's

¹¹ The acceleration of this transformation is also explored in S. Peyrouse, *Economic aspects of the Chinese-Central Asia rapprochement* (Silk Road Studies Program, Uppsala University, 2007).

transition has shown that the direct emulation or transplant of idealised norms onto the domestic industry and political structures from Western states is neither likely nor desirable.

In performing this elaborate manoeuvre, (and as we can see from Chapter 4 on Russia) Kazakhstan has also overturned the tactics of Russia. Where once Russia presented itself as the guarantor of the Central Asian states against 'terrorism' for the West, it has now shown itself to be an aggressor in the region, risking instability, whilst by contrast the Kazakh state has shown itself willing to engage in organising its own space and to cooperate with a Western presence in the region. The Western states are presumed to have significant influence upon the region by the 'Great Game' literature, but through the thesis we can see a growing uneasiness in this relationship. The US has a visibly waning influence through its weak plans in the region that are focused too closely upon Afghanistan to entice Kazakhstan. Why Washington chose the American Silk road approach, with its regulation and mediocre funding, when China's offering is financially more rewarding is puzzling. The United States remains influential within the narrow ambit of the energy industry, but this does not appear to have translated into political power; the industry adapts to the local conditions, and the Kazakh state appears wary of many of the Western methods such as CSR taking priority over the state's role in the oil producing regions.¹²

We can also now begin to see that changes have affected Kazakhstan's *identity*. If the country's marginal strategy has been effective then there should be 'evidence' through changes in identity both for the centre and the margin. Kazakhstan can be understood to have a self-internalised concept of its own position in international relations, as shown through the strategic choices it has made with regards to Eurasianism (Chapter 2). Particularly through its energy industry and other strategic choices, Kazakhstan has developed itself as an *alternative center* to Russia for China's investment in the energy security arena. It is still a risky investment

¹² See also L. Murat, 'US Central Asian Policy Under President Barack Obama', *Central Asia and the Caucasus*, Vol.11, No.4 (2010).

climate because of the propensity for sudden change, but it lacks the military aggression that is evident in Russian foreign policy. Furthermore, it is the first choice in Central Asia for international investment. Kazakhstan is increasingly able to demonstrate that it is acting autonomously in the region and is using cultural domestic signifiers such as changes in language and nation branding, and in doing so it redefines Russia's relationship within the margins of its territory.¹³

Currently, China shows little interest in 'colonising' Kazakhstan regardless of the local fears of its neighbour. However, there is a danger that without intending to Kazakhstan may have swapped one centre for another. Some have argued that as China becomes increasingly reliant and leveraged to the developing economies in its quest for oil and natural resources, so it will inevitably have to police the investments that it has made. The analogy that is frequently drawn is America's rise to globalism, moving from a country which, in 1920, seemed content merely to own the world, to one which, after 1950, was anxious to police the world. Many scholars have also suggested that moments of hegemonic transition are especially dangerous. This debate is well beyond the scope of this thesis, but its evidence concerning marginality explored here suggests that new forms are emerging in the international system and the future does not always have to follow the past. This is not to suggest an invasion or display of aggression of the kind that emanates from Russia, but instead a pressure that comes from having heavily invested in an economy; inducing coercive behaviour to ensure favourable outcomes to ensure China's continued success.¹⁴

¹³ See also G. Strüver, 'What friends are made of: bilateral linkages and domestic drivers of foreign policy alignment with China,' *Foreign Policy Analysis*, (2014).

¹⁴ Many scholars have joined this battle, but the most prominent are: G. John Ikenberry, 'The Rise of China and the Future of the West: Can the Liberal System Survive?', *Foreign Affairs*, Vol. 87, No.1 (2008), pp.23-37; John J. Mearsheimer, 'The Gathering Storm: China's Challenge to US Power in Asia', *Chinese Journal of International Politics*, Vol.3, No.4 (2010), pp.381-96.

On the Margins of Marginality

To create a contrast to the Great Game narrative, this thesis needed to produce an alternative narrative that better encapsulated the problem of understanding geopolitics in Central Asia. It needed to capture the notion of power being able to manifest away from great power states; just because Kazakhstan is not as powerful as Russia, does not automatically mean it is a weak state, or that a victim narrative is the most accurate representation. In this sense, using marginality allowed that spirit of entrepreneurship that was self-evident within the country itself to be captured and explore what this might mean at a societal level. And yet, just to acknowledge that marginality was a better label for the status quo was not enough; once we had created an alternative understanding for geopolitics we needed to be able to explain how this was happening. What are the conditions that have created this relationship? Has it been passive? Has Kazakhstan just been allotted power by the international system or has it made deliberate changes to create this understanding. This is where the limits of the marginality as a theoretical framework are apparent; it does not have the power to describe the causal factors that have contributed to its development.

This flexibility is both a blessing and a curse. Marginality, as a literature, is a framework of understanding whereby observing certain actions being taken by the state can help to determine where the centre of power is located. In this sense it is useful to show development, but it does not show causal factors. The dichotomy between Russia's waning presence and China's almost unobservable glide into the economy would not be able to be understood using the marginality literature alone. By supplementing and synthesising these insights with theoretical devices from the energy governance literature and the strategic culture literature we were able to create an understanding that answered the how question. Strategic culture explains how we were able to have continuity in Central Asia from the Soviet era, but also be entering a unique era of independence. It also allowed us to observe this happening in the energy industry through continuity and shifts in the power groups that are present within the

state. By focusing on one industry, the energy industry, which is so central to the economic development of the country, we were able to show that this had been a considered change and that there were also limits to the Kazakh ability to gain marginality because of the often poor and corrupt decisions that were being made on a continuous basis. Creating locally rooted research that was interested in producing an accurate account of how Kazakhstan arrived at its current position, and how much of this was by design or by accident, was a crucial task of the thesis.

However, there are questions to be asked about marginality itself. Does the very concept of marginality simply move the boundary of power or is it relocating a boundary itself, rather than creating an alternative position within geopolitics? Is its obsession with rules and regulation and the creation of neat categories, counter-intuitive to its stated purpose? Does marginality need to be reconceived in order to create a post-structural understanding? These questions remain unanswered here because the limits of the use of marginality have been supplemented with alternative explanatory tools instead. Where there are holes, a synthesis with other theoretical positions has been sought. Many criticisms from a position of poststructuralism are difficult to integrate here because the ultimate aim of this thesis has been to problem-solve an approach to understand rather than to remain aloof in criticism of the status quo. The aim of drawing out the work of Parker in the literature review was to provide substantive justification for continuing with this position, despite some of the weaknesses identified.

The actors in this region are the largest and most powerful states that are currently operating in world politics; Russia, China and America. In using marginality in this context, to understand a transition from a weak state to a centre of power, albeit a smaller power, the thesis has shown the tactics and mechanisms that can be used to explain these changes. By choosing to use the energy industry as the key explanatory tool for this tool, the thesis shows that there

is scope to explain geopolitics in another formulation. We need not think of energy powers as weak or small, but as a center or a margin, and therefore as having shifting, moveable boundaries of power with limits. By thinking of the governance of the energy industry in terms of competing subcultures the changing yet resolutely repetitive aspects of the energy industry can begin to be appreciated in the face of a heavily changing international environment. In other words the thesis helps us to understand how smaller energy producers can begin to understand the opportunities that they are presented with and the tools that are available to them to increase their position within the market. Blending geopolitics and political economy has the potential to create more valuable understandings of market function when we realise that the leadership and decision-makers of many states is as equally divided between these different factors. The domestic and the international are already smudged boundaries that conflate actor decision-making capacity, this combination of frameworks just helps to draw out the details.

The Future for the Marginally Powerful

Death and Destruction?

There are two core problems looming on the horizon for Kazakhstan. The first is the death of the 'Leader of the Nation', and the second is the inefficiency of the domestic energy industry. When the President eventually succumbs to the inevitable, all this work could be for nothing, since there has been little succession planning.¹⁵ Kazakhstan's has achieved power as a marginal state, and built an autonomous path for its future development, but when there is no leader, and the power vacuum sets in, who will prevent Moscow from seizing its opportunity? Not unlike Tito in Yugoslavia, Nazarbayev has justified his authoritarian leadership by claiming that he unites the people, and prevents ethnic tension splitting the nation during the early years

¹⁵ R. Isaacs, 'Informal politics and the uncertain context of transition: revisiting early stage non-democratic development in Kazakhstan', *Democratization*, Vol.17. No.1 (2010), pp.1-25.

of statehood and development.¹⁶ His death will leave the country in a difficult position. With no power structures in place, a contest will begin for the leadership, but also for legitimacy. In a region that is dominated by personality, not politics, there are no characters that command the public imagination.¹⁷ If Nazarbayev has not announced his successor, why should the next leader be accepted, and upon what grounds?

Given the lack of any public figures with appropriate stature, it is unlikely that popularity or charisma will have much place within the decision-making process. Instead it is more probable that the candidate will be someone deemed palatable to the various interest groups, who operates within an existing power structure and has a network of support embedded within the political elite system.¹⁸ In order to have been in a position to have secured this, it is highly likely that the candidate is already within the closest circles of the current leader, and a trusted member of his personal entourage. Given the centralised and authoritarian structures that are present it also remains rather unlikely that there will be an opposition candidate in a position to offer an alternative and almost certainly there will be no immediate election. Given the limited public dialogue that this subject matter receives it is difficult to gauge a public 'mood' towards succession, but it does not mean that there is not intense speculation or concern. Whoever is chosen as the next leader will not repeat the trajectory of Nazarbayev. The new leader will appear in a new age in which social media is more important and where ideas pass more freely than ever before: the current generation has watched the various outcomes of the Arab Spring. Across the whole region, many have asked what the Arab Spring means for Russia, Central Asia, and the Caucasus.¹⁹

¹⁶ Catherine Putz, 'Should We Stop Calling Kazakhstan an Autocracy?', *The Diplomat*, 3 September, 2015, available from <http://thediplomat.com/2015/09/should-we-stop-calling-kazakhstan-an-autocracy/>

¹⁷ See also R. Isaacs, "'Papa"—Nursultan Nazarbayev and the Discourse of Charismatic Leadership and Nation-Building in Post-Soviet Kazakhstan,' *Studies in Ethnicity and Nationalism*, Vol.10, No.3 (2010), pp.435-52; T. Ambrosio, 'Leadership Succession in Kazakhstan and Uzbekistan: Regime Survival after Nazarbayev and Karimov,' *Journal of Balkan and Near Eastern Studies*, Vol.17, No.1 (2015), pp.49-67.

¹⁸ Sean Roberts, 'Rating Nazarbayev's Likely Successors', *PONARS Eurasia*, 18 April, 2013, available from <http://www.ponarseurasia.org/article/rating-nazarbayev%E2%80%99s-likely-successors>

¹⁹ A. Zikibayeva, Serge Korepin, and Shalini Sharan, 'What Does the Arab Spring Mean for Russia, Central Asia, and the Caucasus?', *Center for Strategic & International Studies*, Vol.8 (2011), pp.1-3.

In theory this leaves a wide range of options in the event of succession, and all of them are somewhat precarious. In practice, markets dislike instability, and more than that they dislike instability in a capital intensive industry such as the energy industry. Because this makes capital flight a real risk in the event of a power vacuum, the question of succession is likely to be resolved quickly. Everyone understands that the stability of the changeover phase will depend upon the speed at which 'normalcy' can be returned and the ability of the next leader to appease the markets, guarantee contracts and re-emphasise the rule of law. The external variables are less controllable and depend upon the geopolitical context at the time that the succession takes place and the relationship that Kazakhstan is experiencing with Russia at that time. A fragile connection could prompt interference from Moscow at a time when the state is already in a precarious position. Again a speedy transfer will occlude a window for Russian opportunism. It is therefore most likely that the succession, so much discussed and mulled-over, will occur speedily without a second glance.

Efficiency, Nuclear Energy and the Saudi Example

In 2011, when this study was initiated, Brent Crude was over \$100 dollars a barrel.²⁰ The Arab Spring, rising demand from China and transportation bottlenecks were forcing the price of oil upwards, furthermore shale was in its infancy, not yet a fully viable product. In the early autumn of 2015, Brent Crude was under \$50 per barrel. To take a long view, the price of oil was historically below this mark for the majority of the previous century, but since the 1970s the market has experienced greater volatility and higher prices; the age of cheap oil was over. Under these comfortable conditions, a seller's market developed and more exploration was undertaken in increasingly hostile and demanding conditions - all the while - raising the price

²⁰ US Energy Information Administration, '2011 Brief: Brent crude oil averages over \$100 per barrel in 2011', *US Energy Information Administration*, January 12, 2011, accessed 12 September 2015, <http://www.eia.gov/todayinenergy/detail.cfm?id=4550#>

of extraction to higher levels.²¹ It was amongst these jubilant market conditions that the development of the Kashagan oil projects began. They are the largest and the most expensive oil fields to have been developed in the last fifty years, and the spiralling cost of their creation has elevated the estimated break-even point to over \$100 per barrel in the first years of production.²² Therefore, it is imperative that every drop of profit that can be extricated within the current market conditions be collected by the state and stored in the sovereign wealth fund to enable the domestic development to continue. It also needs to be able to sell as much oil at international prices as possible, rather than selling to the domestic market where prices are subsidised by the state.

Natural gas is required for the production of oil in Kazakhstan. This is not true of all oil fields, but the geology of the Kazakh fields necessitates that natural gas be pumped in to aid the recovery of oil and extend the life of the fields. Between this and high levels of domestic consumption, Kazakhstan has a very inefficient gas industry. Currently Kazakhstan consumes 19% of its oil production and 14% of its natural gas, but its main source of fuel comes from domestically produced coal, consuming some 64% of its production. Aware that this is an inefficient use of natural resources, Kazakhstan is undertaking a national gasification project which includes improving its production efficiency. Furthermore, Kazakhstan has no national grid of its own. Instead it has a northern grid serviced by Russia and a southern grid serviced by Uzbekistan and Kyrgyzstan further reducing gas consumption, but decreasing energy security through its reliance upon unpredictable neighbours.²³ What are Kazakhstan's options?

²¹ R. Matthew, *Twilight in the Desert: the Coming Saudi Oil shock and the World Economy* (New York; John Wiley & Sons, 2006), pp.3-7.

²² TengriNews, 'Kashagan Economically Viable With Prices For Oil At \$100 Per Barrel', *TengriNews*, 9 February 2015, accessed 12 September 2015, <http://en.tengrinews.kz/finance/Kashagan-economically-viable-with-prices-for-oil-at-100-per-258906/>

²³ G. Simmons, 'Russia and the Politics of the Central Asian Electric Grid,' *Problems of Post Communism*, Vol.50, No.3 (2003), pp.42-52. See also S. Peyrouse, 'The hydroelectric sector in Central Asia and the growing role of China,' *China and Eurasia Forum Quarterly*, Vol. 5. No.2. (2007).

Saudi Arabia is a world leader in oil production, a member of the G-20, a fully industrialised nation, the global Islamic centre for Sunni Muslims and a regional power in the Middle East. The reserves and production capacity of Kazakhstan may not be on the same scale as Saudi Arabia, but the Middle Eastern giant has two key lessons to teach the junior petro-state. Domestically, population changes and consumption are crippling the supply of gas with serious consequences for its long-term future. The major problem suffocating the Saudi economy is the management of their domestic energy market.²⁴ Currently, 25-30% of its oil production is being used to support its industrialisation programme and its gas supply is being used to fuel the petrochemical plants.²⁵ A rising population requires more water, again an issue that Kazakhstan also experiences, and in the case of Saudi Arabia this must be collected from electricity-intensive, energy-draining desalination plants. This rising population is also urbanising, with 85% of the population living in the cities, and starting to consume in a spectacular fashion. The rise in demand for goods and lifestyle changes, such as air-conditioning in a desert country, all increase the demand for energy. Internationally, the challenging global market conditions are impacting Saudi Arabia's political influence.²⁶ In short, Saudi Arabia is going nuclear, and this begs the question should Kazakhstan be heading in the same direction?

Whilst desalination may not be the main problem, Kazakhstan is nevertheless exposed to many of the same conditions as Saudi Arabia. Urbanisation in Kazakhstan is rising; the 2009 census records 57% of the population living in a town or city and the expectation is that figures will reach 66% by 2030.²⁷ Extreme weather means that it is the heating bills rather than the

²⁴ For more information see Gladha Lahn & Paul Stevens, 'Burning Oil to Keep Cool The Hidden Energy Crisis in Saudi Arabia', *Chatham House*, December, 2011.

²⁵ NPR Saudi Major Investment in Nuclear Technology

²⁶ Y. Al-Saleh, 'Renewable energy scenarios for major oil-producing nations: the case of Saudi Arabia,' *Futures*, Vol.41, No.9 (2009), pp.650-62.

²⁷ Nations Economic and Social Commission for Asia and the Pacific, 'Economic Statistics in Kazakhstan', *Nations Economic and Social Commission for Asia and the Pacific*, 2009, http://www.unescap.org/esd/suds/urbanizatio-governance-infrastructure-in-central-asia/October-2012/Presentations/Session%202/Makhmutova_ENG.pdf

air-conditioning that drains the Central Asian state, and as the rise of a middle class begins, so more access to consumer goods will be required to meet similarly rising expectations. These factors place considerable demands upon the state to provide cheap natural resources across a notably large, sparsely populated country with an increasingly out-of-date infrastructure.

Like Saudi Arabia, Kazakhstan is therefore using its own supply of natural resource for fuel rather than using it to exchange on world markets. Whilst using its own gas supply as a power source means a reliable source of fuel, improving energy security, there are negative consequences. At a time when confidence in Russia as a stable source of gas is low in Europe, but the demand is high, increasingly supply to Europe must be a priority. Furthermore, the sheer size of Kazakhstan means that gas or coal fuel must be transported vast distances in difficult conditions to service all regions. Any fluctuations in the world market price of gas, or changes in production would adversely affect the less densely populated oblasts. Many existing gas and coal power plants are due for upgrades or obsolescence programmes. Accordingly, the country's energy policy is under review and new solutions need to be seriously considered if the leadership is to improve the independence and sustainability of Kazakh energy supplies.²⁸

In response to these domestic and international market changes, Saudi Arabia has begun an ambitious programme to develop sixteen nuclear power stations by 2020. This is not a reaction based upon fears over the availability of oil in the state - indeed it has proven reserves of 267 billion barrels - instead it is a reaction to the rising cost of extracting oil. The steadily increasing cost is in part due to the increasingly technologically advanced methods required in the

²⁸ Z. Atakhanova and Peter Howie, 'Electricity demand in Kazakhstan,' *Energy Policy*, Vol.35, No.7 (2007), pp.3729-43.

extraction process now that the previous centuries easy-access, cheap recovery, low efficiency projects are nearing an end. Instead, this century marks a new era of more expensive and harder to extract oil from more diverse locations with lower profit margins. As a result of these changes, Saudi Arabia fears the loss of customers as developed countries turn towards cheaper and more environmentally sustainable sources of energy.²⁹

Kazakhstan could potentially benefit from pursuing a similar nuclear energy strategy in the long term in a manner similar to Saudi Arabia. Clearly, there is no feasible alternative power source in the short term. Hydropower is not an option for either Kazakhstan or Saudi Arabia, both of which suffer with restricted access to water. Unlike Saudi Arabia, solar energy possibilities are limited and seasonal. Meanwhile, Kazakhstan has many advantages over Saudi Arabia in the proliferation of nuclear technology. Firstly, it has a domestic supply of the raw materials required in Uranium production; it holds 12% of the world's uranium reserves, and is currently the world's leading producer.³⁰ Secondly, it is seen as a credible and reliable supplier of uranium to China, Japan, Russia, India and South Korea. After negotiation with Canadian firms, Kazakhstan is looking to expand its nuclear industry to launch a uranium conversion facility, creating a value-added uranium product, to be sold straight to the supplier. Kazakhstan would therefore be self-reliant for energy once more. Thirdly, Kazakhstan's short history has been a peaceful one, especially in the context of nuclear disarmament. At independence the country held the fourth largest nuclear weapons arsenal in the world. The 1,410 nuclear warheads were immediately repatriated to Russia by President Nazarbayev, and the nuclear testing site closed. KazAtomProm, the national nuclear holding company, estimates that a single nuclear power plant opening in Mangistau would reduce the output of carbon dioxide into the region by 3 million tons per year.³¹ The history of Kazakhstan's Soviet

²⁹ R. Gold and N. D. Drilling, 'Global Oil Glut Sends Prices Plunging,' *The Wall Street Journal*, 14 October 2014.

³⁰ World Nuclear Association, 'Uranium and Nuclear Energy in Kazakhstan, *World Nuclear Association*, September 2013, Accessed 12 September 2015, <http://world-nuclear.org/info/Country-Profiles/Countries-G-N/Kazakhstan/>

³¹ Ibid.

era nuclear legacy has no doubt impacted upon the decision to offer the tender to international firms that are able to offer the highest 3+ safety rating facilities rather than push for domestic project management. These developments seem important for the stability of the Kazak growth in the medium term as well as long-term political stability.

Future Avenues for Research

Kazakhstan is under-researched given its importance to the region. This thesis therefore lays the ground work for a number of cognate areas of research. One of the most interesting avenues for future research is related to the current geopolitical climate created by Russia. A comparative study that compared the marginality and tactics of the FSU states would enable us to understand better how states are responding to the new aggression, looking for tactics and conditions that affect the ability of these states to act autonomously; geographical distance to Europe or other centers, resource endowment, economy, population size and density, and cultural integration. This might well form the basis of an international team project.

Furthermore, in 2011 when this study was commencing, China was barely mentioned in the literature as the alternative centre to Russia. Further research is required on the relationship, examining not only how Kazakhstan has experienced China, but also placing this issue in a comparative context. There are definite differences in terms of how China is responding to each country, creating a more nuanced political actor than has previously been acknowledged by scholars. Teasing out these differences between the 'Kazakh' experience and other states would enable us to become more knowledgeable about China's responses to local developments around the world and assist in forecasting its future foreign policy.

Research on Kazakhstan and its place in the world is hindered not only by the anachronistic fixation with stereotypical ideas like the 'Great Game' but also by its lack of connection to wider considerations of international relations in the literature. It is rarely part of the collection of states in wider regional studies or comparisons, and seldom is it used as a case study to exemplify a characteristic. And yet, it sits within a group of states that have developed autonomously from the same starting point into wildly different countries. This is likely to change in the next ten years, not least because of growing connections between universities in Central Asia and major centres of research elsewhere in the world. Eurasia has so much to offer, not only in terms of political economy - but also to researchers. Therefore its future as a field of intellectual study looks promising and is likely to follow a similar trajectory - away from marginality.³²

³² N. Mouraviev, 'Kazakhstan has Joined the Bologna Process: New Challenges for the Higher Education Policy,' *Social Policy and Administration*, Vol.39, No.4 (2012), pp.361-380; A. Sagintayeva and Kairat Kurakbayev, 'Understanding the transition of public universities to institutional autonomy in Kazakhstan,' *European Journal of Higher Education*, Vol.5, No.2 (2015), pp.197-210.

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